FINANCIAL TIMES

East Asia

Liberalism: the key to economic recovery

Personal View, Page 8

Hollywood

Titanic doubters left floundering

Letter from LA, Page 3

Europe

Emu has passed the point of no return

Lionel Barber, Page 9

Environmentalists

A new class of men in suits

Business tribes, Page 8

World Business Newspaper http://www.FT.com TUESDAY DECEMBER 30 1997

WORLD NEWS

Italy is braced for new wave of fleeing Kurds over New Year

Italy is bracing itself for a fresh wave of Kurdish refugees at New Year after the arrival at the weekend of 825 Kurds whose ship ran aground off the southern coast. Interior Ministry Giorgio Napolitano confirmed that a second Turkish ship carrying refugees was heading across the Mediterranean and was likely to reach Italy on New Year's Day. Page 2

Vietnam picks hardline leader
Vietnam's ruling communist party has named hardline ideologue Gen Le Kha Phieu as party general secretary, resolving the leadership crisis but ending hopes for action to stem economic decline. Page 10; Editorial comment, Page 9

Nature defies doom-mongers
Gloomy predictions that natural disasters would become much more frequent and expensive did not come true in 1997 said Munich Re, the world's largest reinsurance company. Page 3

Fund for Czech war victims
The Czech Republic and Germany have agreed to set up a joint fund to compensate Czech victims of Nazism. Page 2

UK doctors seek tobacco ban
The UK should work to ban tobacco exports, said George Alberti, new president of Britain's Royal College of Physicians. Page 6

Northern Ireland prisons probe
The UK government hopes to avert a crisis in Northern Ireland by asking the inspector of prisons for England and Wales to investigate the shooting of anti-republican terrorist Billy Wright in Ulster's Maze prison. Page 6; Editorial Comment, Page 9

US-owned hospital in Beijing
Beijing's first western-run hospital has opened. The $3m Beijing United Family Health Centre is run by US company US-China Industrial Exchange. Page 4

UK's MBO figures top $16.5bn
The value of UK management buy-outs and buy-ins rose by a third this year, topping £10bn ($16.5bn) for the first time. Page 6; Lex, Page 10

China buys Russian reactors
Russia has signed a $3bn deal to provide nuclear generating equipment for a power plant in China's Jiangsu province. Page 4

Andes mining treaty
Argentina and Chile have signed a treaty outlining the legal and tax framework for mining operations which straddle their 5,000km border. Page 3

Indonesia fraud inquiry
Indonesian police are questioning three former central bank directors about an alleged Rp1,500bn ($253m) bank fraud. Page 2

US murder figures plunge
Homicides in 1997 fell to the lowest numbers for decades in both New York and Los Angeles, according to police statistics.

Sonia Gandhi joins campaign
Sonia Gandhi, widow of assassinated Indian PM Rajiv Gandhi, is to campaign for the country's Congress party in a bid to halt internal divisions. Page 10

Fresh arrests in Nigeria
Nigeria's army has made more arrests and set up a commission to investigate an alleged plot to overthrow military ruler Sani Abacha. Page 3

UK to issue Diana stamps
The UK's Post Office is to bring out a special set of five stamps depicting the late Diana, Princess of Wales. The proceeds will go to charity.

BUSINESS NEWS

Promodès drops FFr31bn hostile bid for rival Casino

Promodès, the French retailer, has agreed to drop a hostile FFr31bn ($5.2bn) offer for Casino, which has decided to join its rival's international non-food purchasing department with effect from January 1. Page 11; Lex, Page 10

Biocompatibles, the UK biotechnology company, has won European regulatory approval for one of its heart disease products, prompting a 6.6 per cent rise in its shares. Page 13

Swissair, the Swiss national carrier, is to acquire a substantial minority stake in independent Italian airline Air One by April. Page 12

Daimler-Benz, the German industrial group, said the withdrawal of its A-class mini-car had not prevented passenger car sales by the Mercedes-Benz division rising at least 8.5 per cent this year. Page 12; Lex, Page 10

KPMG Corporate Finance has published a survey showing that UK companies raised just £3.5bn ($5.9bn) from equity issues in 1997, compared with £10.14bn the year before. Page 11

Investor, the main investment vehicle for Sweden's Wallenberg industrial empire, has appointed Jacob Wallenberg, chairman of Skandinaviska Enskilda Banken, to its senior management team. Page 12

Renault, the French carmaker, plans to double its stake in the parent company of Heuliez Bus, the second-biggest manufacturer of urban buses in France, from Volvo of Sweden. Page 12

New, hybrid almond trees are creating a global glut of the nuts. A record Californian crop of 340m kg is expected to be announced tomorrow, which will further depress low international prices. Page 10

Bethlehem Steel, second-biggest US steelmaker, is to end 140 years of manufacturing in Bethlehem, Pennsylvania, by closing its coke division with the loss of 800 jobs. Page 12

Thai air force is seeking to delay the purchase from Boeing of eight F/A-18 strike aircraft valued at $392m. It is the largest arms contract to fall victim to south-east Asia's economic crisis. Page 4

US shopping malls saw year-on-year sales rise by only 2 per cent between Thanksgiving and December 21, in spite of the strong US economy, according to the International Council of Shopping Centers. Page 2

Sanwa Bank of Japan raised its stake in Siam Commercial Bank, Thailand's fourth-largest bank, to 7.43 per cent, paying the Thai bank Bt2.25bn ($47.9m). Page 11

Hopewell Holdings, the Hong Kong-based infrastructure group, has signed a deal with the Indonesian government to build a $1.6bn power plant on the island of Java. Page 4

Tenaga Nasional, Malaysia's national power utility, is considering delaying 60 transmission and distribution projects worth M$3bn ($780m) in order to help its blue-chip companies weather the economic storm sweeping south-east Asia. Page 4

P&O Australia, the Australian ports operator, has doubled its holiday resort portfolio after the purchase of properties from Qantas, the airline, for A$25m (US$16.7m). Page 12

Lenders agree on outstanding loans but avoid divisive issue of new money

Banks back roll-over of existing debt for S Korea

By George Graham in London and Richard Waters in New York

Efforts to fend off a liquidity crisis for South Korea began to bear fruit yesterday as international banks backed plans to roll over its short-term debt.

German banks agreed to support "a substantial and market-oriented international financing initiative", while in the US five leading investment banks issued a more grudging statement of readiness to "participate in a programme of support for Korea".

But while banks around the world agreed to roll over their existing loans to Korean banks, they remained deeply divided on whether to lend new money to the country.

The German statement, issued after representatives of more than 80 banks met in Frankfurt under the chairmanship of Josef Ackermann, a Deutsche Bank board member, was interpreted by other bankers as showing a willingness to make new money available. The US banks, however, made it clear their participation would relate only to existing credit, not to further loans.

The five – Goldman Sachs, Lehman Brothers, Merrill Lynch, Morgan Stanley and Salomon Smith Barney – were drawn into the discussions in New York after several commercial banks told the Federal Reserve Bank of New York they wanted to see a wide-ranging plan extended to all institutions at risk in Korea, not just traditional lenders.

A group of the biggest US commercial banks was thought to be close yesterday afternoon to an agreement to roll over Korean loans. However, some banks said they wanted to retain control over which loans they extended, and which they let fall due – rather than being forced to participate in an across-the board rescheduling of debt.

"We don't want to do anything to upset Korea's ability to come back to the capital markets – but we're not going to have anything force-fed down our throats," one US banker said.

S Korean president Kim Young-sam (right), with president elect Kim Dae-jung before talks yesterday AP

UK banks meeting in London under the chairmanship of HSBC Holdings only discussed a roll-over, avoiding a likely clash over the issue of new money.

Similar meetings were chaired by Société Générale in Paris and by Bank of Tokyo-Mitsubishi in Tokyo. Representatives of these banks were then due to meet their US counterparts yesterday at the New York offices of J.P. Morgan, the US bank.

Of Korea's more than $100bn foreign debt, two-thirds represents short-term interbank borrowing. An estimated $15bn falls due this month and another $15bn next. Much of this is in interbank deposits, which normally would be renewed with little difficulty, but Korea's foreign reserves are so low that if all foreign banks insisted on immediate repayment, it could not meet the demand.

The foreign currency crisis was the subject yesterday at talks between South Korea's president-elect, Kim Dae-jung, and the man he will succeed, Kim Young-sam.

Some bankers have suggested that rolling over existing credits will not be enough and the Korean government will need fresh syndicated loans.

After Japan, the two largest lenders to Korea are Germany and France, each accounting for more than $10bn – slightly more than the US, which is also estimated to have about $10bn of exposure. UK banks have more than $6bn outstanding.

While Japanese banks have been reducing lending to Korea over the last year, European and US banks raised their exposure.

Reform bills passed, Page 4
Personal View, Page 8; Echoes of Latin American crisis, Page 11

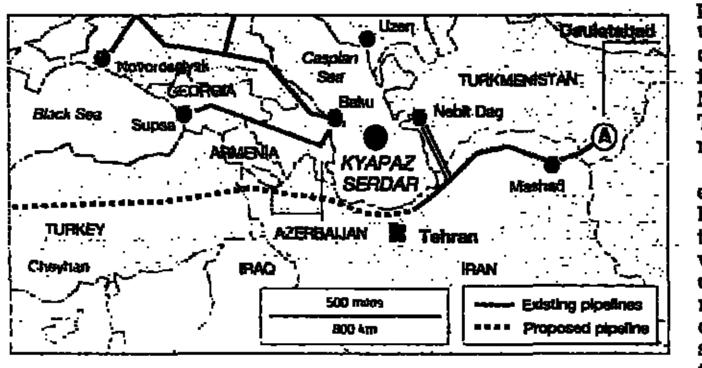
Iran celebrates $200m Caspian gas pipeline

By Robert Corzine in Nebit Dag, Turkmenistan

Iran scored a foreign policy coup yesterday with the opening of the first natural gas pipeline linking the Islamic republic with Turkmenistan and the vast resources of the Caspian Sea region.

The opening of the $200m development underscored the difficulties the US is experiencing in trying to prevent Iran playing a big role in the region, and in the growing international interest in developing some of the world's last great oil and gas fields.

The 200km line will initially link gas fields in western Turkmenistan to industrial markets in northern Iran. But it may also serve as a building block towards the export of gas from Turkmenistan to Turkey, and perhaps eventually to western Europe.



Although the scale of the pipeline development, financed by the Tehran government, is relatively small by world standards, the project's political importance was underlined by the presence at the ceremony in western Turkmenistan of Iran's new president, Mohammad Khatami, and his Turkmen counterpart, Saparmurat Niyazov.

Under a clear sky with the honey-coloured dunes of the Karakum desert as a backdrop, the two walked hand in hand to a velvet-draped valve at the main compression station on the Turkmen segment of the pipeline and opened the flow of gas. US representatives were noticeable by their absence from the gathering.

Although Washington signalled that it would not object to Turkmen gas being shipped through Iran, it has not been happy about Iranian interest in Turkmenistan. Iranian officials at yesterday's ceremony said Tehran was keen to expand investment in Turkmenistan's oil and gas industry, including possible participation in onshore oil and gas and petrochemical projects.

For Iran, the pipeline is a symbol of its ability to circumvent US efforts to isolate the country. It is also a reminder that Iran is at the centre of oil and gas export routes from the Caspian region.

On Sunday Iran, Turkmenistan and Turkey signed an agreement with Royal Dutch Shell for a nine-month feasibility study into an export scheme that would

Continued on Page 10

Packard Bell NEC set to cut 1,000 jobs

By Nicholas Denton in San Francisco

Packard Bell NEC, the lossmaking US-based personal computer joint venture, is preparing to make further substantial cuts in its workforce as price competition among PC makers intensifies.

The cuts at the group, which reduced its staff from 8,000 to 6,000 over the past year, are part of a restructuring plan signalled last week.

Under the scheme NEC, the Japanese electronic products group, is injecting $300m into Packard Bell NEC and increasing its stake in the US unit from 20 per cent to 49 per cent.

As an independent group Packard Bell pioneered the PC that cost less than $1,000, but the market segment it created has been invaded in the past year by large, efficient US manufacturers such as Compaq and Hewlett-Packard.

The PC maker has also conceded sales to companies such as Dell Computer, which reduce costs by taking orders over the telephone or the internet and building them to customer specifications, rather than basing production on forecasts of demand.

According to the Nihon Keizai

Continued on Page 10

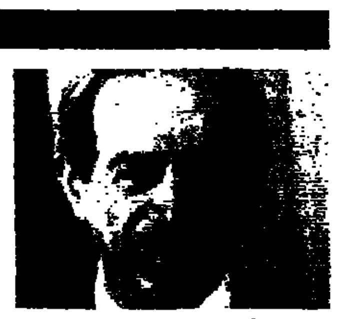
Markets

STOCK MARKET INDICES		
New York, lunchtime		
Dow Jones Ind Av	[illegible]	(+103.62)
NASDAQ Composite	[illegible]	(+17.45)
Europe and Far East		
CAC40	[illegible]	[illegible]
DAX	[illegible]	[illegible]
FTSE 100	[illegible]	(+98.5)
Nikkei	[illegible]	[illegible]
US LUNCHTIME RATES		
Federal Funds	[illegible]	
3-mth Treas Bills: Yld	[illegible]	
Long Bond	[illegible]	
Yield	[illegible]	
OTHER RATES		
UK: 3-mth Interbank	[illegible]	[illegible]
UK: 10 yr Gilt	[illegible]	[illegible]
France: 10 yr OAT	[illegible]	[illegible]
Germany: 10 yr Bund	[illegible]	(105.56)
Japan: 10 yr JGB	[illegible]	(129.4)
NORTH SEA OIL (Argus)		
Brent Dated	[illegible]	(17.00)

GOLD		
New York: Comex	$291.9	(295.2)
London:	$291.85	(290)
EXCHANGE RATES		
Dollar		
New York: lunchtime		
£	1.67255	
DM	1.787	
FFr	5.98	
SFr	1.44835	
Y	129.775	
London:		
£	1.6746	(1.67)
DM	1.7835	(1.7724)
FFr	5.963	(5.9315)
SFr	1.4455	(1.4342)
Y	129.025	(130.175)
Tokyo close		Y 130.3
Sterling		
DM	2.9909	(2.9598)

© THE FINANCIAL TIMES LIMITED 1997 No.33,485
London · Leeds · Paris · Frankfurt · Stockholm · Madrid · New York
Los Angeles · Tokyo · Hong Kong

Inside



'Flying Frank' Newman, chairman of Bankers Trust Page 12

FT.com the FT web site provides updated news and an updated archive of back articles at http://www.FT.com

German businesses see brighter year

By Ralph Atkins in Bonn

German business optimism has brightened markedly, according a survey published yesterday. But there is little expectation of a decisive fall in the country's huge unemployment total – and fears about the impact of *Reformstau*, or political gridlock, in Bonn remain high.

Some 21 out of 41 industrial associations surveyed by the German economics institute (IW) reported that optimism among their members was higher than a year ago. Only five trade associations, mainly representing retailers and the building sector, said sentiment had deteriorated in the past 12 months.

Last year's survey showed only 11 associations reporting a pick-up in sentiment and 10 reporting a decline.

The increased optimism reflects expectations of a decisive pick-up in economic growth, powered largely by exports. But the IW warns that the failure of politicians to agree structural economic reform remains a significant obstacle.

Industry associations emphasised that "without a fundamental improvement in the economic framework, and a solution to the *Reformstau* blocking tax and social policy, no lasting upward trend in production, investment and employment is expected".

The IW survey followed a warning at the weekend by President Roman Herzog that the difficulty faced by the government in pushing legislation through the opposition-dominated Bundesrat (second chamber) reflected a wider challenge facing Germany. In a newspaper interview, Mr Herzog said there was "an inability of society overall to effect reform. We are still too focused on special interest groups."

Further emphasising the breakdown in Germany's traditional consensual approach, Dieter Hundt, president of the federal employers' association, warned yesterday that the "end of wage moderation" threatened again at the weekend by the German trade union federation would have "a catastrophic impact on economic growth and the creation of new jobs".

The IW survey shows only six trade associations expecting an increase in jobs in their sectors in 1998 compared with this year – and 20 expecting a reduction. However the IW pointed out that the balance expecting a fall was noticeably smaller than a year ago and said there was "light at the end of the tunnel". The sectors expecting increases, which include metal, electronic and engineering industries, cover some of the biggest employers.

Investment is also rising, with 15 of the trade associations reporting plans for capital expenditure to rise in the year ahead, compared with six when the question was asked last time.

Fears remain that unemployment, at 4.5m or 11.8 per cent of the workforce, might top 5m before finally falling.

A toast from Yeltsin

President Boris Yeltsin joins Patriarch Alexei in a toast at an awards ceremony in Moscow yesterday. Mr Yeltsin appeared well, although his voice occasionally croaked after the illness which forced him to spend two weeks at a sanatorium earlier this month. He promised Russians a better year in 1998, despite new warnings by his critics over the state of the economy. "We had stabilisation, financial stabilisation, in 1997. Now we have to secure growth and go on upwards," he said. The 66-year-old president will start a two-week holiday on Monday, though he only returned to his office last week.

Fund for Czech war victims agreed

By Joe Cook in Prague

The Czech Republic and Germany yesterday agreed to establish a joint fund for compensating Czech victims of Nazism. The step completes an often difficult historical rapprochement that began soon after the collapse of Communism, and which was formalised last January in Prague by a joint declaration by Helmut Kohl, the German Chancellor, and Vaclav Klaus, the then Czech prime minister.

The fund, known as "the fund for the future", will be registered this week as a non-profit organisation in the Czech Republic.

Between 1998 and 2002 the fund will receive a total of Ecu84.9m ($95m), with Bonn contributing Ecu71.6m and Prague Ecu13.3m.

Yesterday's decision puts an end to the controversy caused by a request by Mr Kohl earlier this month to postpone setting up the fund because of political disputes over German appointees to the fund's board.

But Vaclav Havel, the Czech president, urged Mr Kohl to meet the January 1 launch date as the fund's statutes would otherwise have had to be altered to comply with new Czech laws on charitable foundations.

More than half of the money in the fund will be used for "social projects" for Czech survivors of Nazi atrocities committed during Germany's 1938-45 occupation. About 8,000 Czech victims of Nazi persecution are still alive, a quarter of whom are Jewish. Others include gypsies, Catholics, Jehovah's Witnesses, homosexuals and political prisoners.

The fund's establishment is an integral part of the Czech-German joint declaration, which was intended by Bonn and Prague to resolve inter-governmental disputes over property claims. Some claims are made by descendants of the 3m Sudeten Germans who were expelled, without compensation, from the Czech lands between 1945 and 1946; others are Czech claims for war reparations from Bonn.

FINANCIAL TIMES
[illegible]
GERMANY:
[illegible]
FRANCE:
[illegible]
SWEDEN:
[illegible]

More Kurdish refugees head for Italy

By Paul Betts in Milan and John Barham in Ankara

Italy is bracing itself for a new wave of Kurdish refugees over the New Year holiday after the arrival at the weekend of 825 Kurds whose ship ran aground off the southern coast.

The Italian Interior Ministry confirmed yesterday that a second Turkish ship carrying an undisclosed number of refugees was heading across the Mediterranean and was likely to reach Italy on New Year's Day.

The influx of Kurds, in the wake of a continuing stream of illegal immigrants from Albania, is renewing strains inside Italy's centre-left governing majority over immigration policy.

Giorgio Napolitano, the interior minister, has called on both the Turkish government and the international community to take appropriate steps to curb illegal Kurdish immigration.

The Turkish government yesterday offered to co-operate, playing down sensitivities that in the past have led it to denounce what it sees as foreign intervention in its domestic affairs.

But Italy's hardline Reconstructed Communism party, which supports but is not part of the government, yesterday called for Italy to grant Kurdish immigrants official refugee status to avoid immediate repatriation under recent immigration legislation.

The small environmentalist Green party, which also supports the government, joined the opposition to the repatriation of Kurdish refugees.

Under recent legislation, mainly intended to deal with the growing problem of the Albanians, the Italian authorities can immediately expel illegal immigrants who do not formally apply for political asylum.

Because of the difficulty of policing its extensive coastline, Italy has traditionally acted as a stepping stone for illegal immigrants on their way north to other European countries.

This has increased tensions between Italy and its European neighbours. Only about 8,000 Kurds live in Italy, compared with 500,000 in Germany, 80,000 in France, 21,000 in the UK and 15,000 in Sweden. Many of the Kurds who recently arrived in Italy have stated they intend to move on to Germany, Sweden or France.

Alarm has also grown in Italy because of the involvement of organised crime in the shipment of refugees. The Italian Interior Ministry and the Turkish authorities yesterday expressed concern at the close links between the Turkish mafia and its counterpart in the southern Italian region of Calabria.

Italian newspapers yesterday reported that Kurdish refugees were paying between $2,000 and $5,000 each for a passage to Italy.

The Turkish foreign ministry said yesterday that Turkish troops in northern Iraq and an allied Iraqi Kurdish militia had ended a short military drive against Kurdish rebels.

Controversy clouds new Oslo airport

Not everyone is happy about Norway's biggest building project, writes **Tim Burt**

Low cloud and driving snow hampered visibility from the control tower, but the radar screens at Europe's newest airport clearly pinpointed all the aircraft entering and leaving Norwegian air space.

The tower, rising more than 90m above the terminal, opens for business this week as the centrepiece of Oslo's NKr11.4bn ($1.56bn) international hub. Air traffic controllers will inaugurate the Gardermoen complex on New Year's Day by switching on the approach lights to a new 3,000m runway.

For the next nine months they will monitor traffic and handle the odd charter flight as Gardermoen – the last new airport to be built in Europe this century – prepares for its official opening on October 8.

Completion of the complex, the biggest mainland construction project in Norway, will equip it with the airport with the biggest capacity in Scandinavia. It will be capable of handling 18m passengers a year, compared with 16m at its rival Copenhagen and 14m at Stockholm's Arlanda. But it has been hit by controversy.

The existing Fornebu airport, although close to Oslo city centre, has been forced to turn away airlines and deny slots to some 200 aircraft movements a week because of capacity constraints. The new hub, some 40km from the city, will be able to handle 80 aircraft movements an hour, more than twice as many as Fornebu.

According to Oslo Lufthavn, the company set up by the civil aviation administration to oversee the construction and operation of Gardermoen, the project reflects growing demand for air transport throughout Scandinavia.

Last year strong economic growth and an increase in cargo and leisure traffic helped increase flight frequencies to Oslo by more than 10 per cent. Similar growth was seen in the so-called Nordic triangle of Copenhagen, Stockholm and Helsinki, where the arrival of low-cost carriers such as Ryanair and Virgin has increased competition.

Airport authorities in Stockholm and Helsinki have responded by planning third runways, while Copenhagen is increasing terminal capacity. They argue that existing facilities cannot meet demand, which is expected to grow by more than 4 per cent year-on-year up to 2006.

But while there is clearly demand for a new airport in Oslo, the decision to locate the site at Gardermoen, a wartime airbase built by the German Luftwaffe, has not been popular.

Many carriers urged the government to build at Hurum, 30km west of Oslo, claiming it offered better links to the city and fewer weather problems. Although the airlines are said to have been mollified by the facilities promised at Gardermoen, its high-speed rail link to the capital – which the government hoped would carry 50 per cent of passengers – has been delayed by construction problems.

Completion of the project has been delayed by at least six months because of water leakage in a 14km tunnel on the outskirts of Oslo. The problem was exacerbated when contractors used a chemical compound which was found to contain high levels of toxins to seal the tunnel.

Some politicians, moreover, have warned that escalating costs could inflate ticket prices and force passengers to use road transport instead.

Work on Gardermoen has also been overshadowed by a heated debate over the future of Fornebu. City planners want to redevelop the old airport as a high-technology science park, but many local residents are opposed to the site being used for industry.

Björn Sund, managing director of Oslo Lufthavn, is disappointed by the furore. He says it has diverted attention from the airport project, which has created 3,000 construction jobs and promises to employ 10,000 people once completed.

Mr Sund, who previously oversaw construction work for the Lillehammer winter Olympics, also emphasises that Gardermoen will break new ground by being operated for profit from day one.

Revenues are expected to reach NKr1.5bn in the first full year of operation. While such income will help to repay loans incurred in construction, Mr Sund says it could also subsidise the development of Norway's 53 small regional airports.

"Gardermoen will not just be a facility for Oslo. It is much more than that," he adds. "It could be a cash cow for transport development throughout the country."

Will one monetary policy fit all?

Preparing for Emu

EU members differ and so do the effects of a rate change. **Wolfgang Münchau** reports

With the scheduled launch of economic and monetary union just a year away, central bankers and economists are becoming increasingly troubled by the consequences of a "one-size-fits-all" monetary policy. A group of researchers at the International Monetary Fund is the latest to warn that monetary policy under Emu may not work as smoothly as widely believed.

At issue are the so-called *transmission mechanisms* – the channels through which monetary policy feeds through to the real world of economic growth and jobs.

Central bankers know that a rise in short-term interest rates or other forms of monetary tightening will ultimately affect the rate of economic growth.

In most countries, they have a rough idea about the time-lag between the two events. But they do not always understand the precise route through which a rise in interest rates feeds through the system.

According to an IMF working paper*, EU countries can be divided into two groups, according to the speed and extent with which they react to interest rate changes. A slow-response group is made up of Germany, the UK, Netherlands, Austria, Belgium and Finland; while a fast-response group is made up of Denmark, France, Italy, Portugal, Spain and Sweden. The result is surprising because, as the authors point out, the two groups do not correspond to the conventional distinction between "core" and "non-core" EU countries.

France and Germany are on different sides of the divide, with France falling in a group with several countries generally perceived as non-core. The UK and Finland, by contrast, fall into the core category.

Output in the countries in the first group bottoms out 11 to 12 quarters after a sudden monetary tightening, while in the second group it takes only five to six quarters.

However, the economic effects are almost twice as strong in the first group compared with the second.

According to the IMF, a monetary shock would reduce economic growth in the first group by 0.7 to 0.9 percentage points, against 0.4 to 0.6 percentage points for the second.

A tightening of monetary policy under Emu would take time to make its full extent felt in Germany, but would be strongly felt in the economy. It would affect France much faster, but with less impact.

Monetary policy affects the real economy in several ways. Generally, a rise in interest rates increases the cost of capital and damps demand. In a small open economy, however, exchange rates might be more important: higher interest rates can trigger an appreciation in the nominal and real exchange rate and a subsequent fall in exports. Other potential transmission mechanisms are asset prices, which might fall after a rise in interest rates, and credit, since higher rates can lead to a decline in bank lending.

The European Commission has also acknowledged that the different transmission mechanisms in EU countries might pose risks for Emu. In a wide-ranging report on the *economic consequences of Emu***, the Commission argues that structural differences in the financial systems are partly responsible for variations between countries' transmission mechanisms.

Such economic differences include the degree of competition between banks, the share of bank credit in total financing, ownership structures, the degree of internationalisation of the banking system, and foreign currency holdings.

The Commission's paper adds two mitigating factors. Members of the exchange-rate mechanism may have already made significant adjustments in recent years.

In addition, the transition to Emu itself could trigger further harmonisation.

"Emu will represent a fundamental regime change which will inevitably modify the structural parameters of national economic systems and, hence, the differences across countries. However, while some of the differences are bound to disappear as soon as a single currency becomes a reality, others will only vanish in the long run, while others will be permanent."

In view of the uncertainties about transmission mechanisms, experts are hesitant to recommend concrete policy action.

The Commission's paper concludes cautiously: "Any reform aiming at increasing the efficiency of monetary and credit markets goes in the right direction, but further research is needed to single out more specific *interventions*."

The IMF paper concedes that the structural differences might narrow after the launch of Emu. But it ends on a cautionary note. "The task of conducting monetary policy at the EU-wide level is likely to be a challenging one in the initial years of the monetary union."

**Ramaswamy R, Sloek T, "The Real Effects of Monetary Policy in the European Union: What Are the Differences?", International Monetary Fund, Working Paper 97/160. December 1997*

***European Commission, Directorate General 2, "Economic Policy in Emu, Part B", Economic Papers, No. 125*

NEWS DIGEST

Slow Christmas for US retailers

US retailers yesterday appeared to be heading for the latest in a series of weak Christmases, with few signs of the hoped for spending spree in spite of the strong economy. The International Council of Shopping Centers, representing shopping malls, said year-on-year mall sales had risen by only 2 per cent in the period from Thanksgiving to December 21.

The National Retail Federation, an industry body, said it was sticking by its forecast that the season would be "strong, but not spectacular", with overall sales rising 3-4 per cent. The federation said it was hoping for a late boost to sales as Christmas day had fallen on a Thursday this year, leaving many shoppers with a three-day weekend to head out to the malls before the season ended.

Some analysts have been downgrading their profit forecasts for the US retail industry. Many retailers marked down their prices in the run-up to Christmas in an effort to increase sales. The federation acknowledged that recent mild weather in the US might have hurt sales of winter clothing, but said most of the markdowns were no greater than they had been in the past and had been planned by retailers. *Richard Tomkins, New York*

■ MALAYSIAN POWER

Utility may delay projects

Tenaga Nasional, Malaysia's national power utility, is considering delaying 60 transmission and distribution projects worth M$3bn ($780m) in an attempt to help the country's biggest blue-chip companies weather the regional economic storm. Executive chairman Ahmad Tajuddin Ali yesterday said the utility had been especially hard hit given that its loan portfolio was largely denominated in foreign currency.

For the financial year ended August 31 1997, Tenaga posted a loss of M$135.2m against earnings of M$803.2m because of foreign exchange losses. Mr Tajuddin indicated this year's results could be similar if the Malaysian currency remained around M$3.9 to the US dollar.

His frank assessment of the company's fate was viewed as refreshing by shareholders, who are often forced to speculate on the financial standing of Malaysian companies.

To limit losses, Mr Tajuddin said the utility would also maximise the use of gas, because its price was fixed and it was a local resource. It would reduce where possible the use of imported oil and coal and try to procure its equipment locally. *Sheila McNulty, Kuala Lumpur*

■ INDONESIA FRAUD PROBE

Bank directors questioned

Indonesian police yesterday said they were questioning three former central bank directors regarding an alleged Rp1,500bn ($283m) bank fraud.

Dibyo Widodo, head of police, declined to give details of the alleged fraud, leaving it unclear whether it related to well publicised frauds with commercial paper or to the central bank's decision to close 16 troubled banks in November. Newspapers have reported that a number of banks had been taken off the list of closures at the last minute.

Four central bank staffers were arrested earlier this year and charged with taking bribes.

Mr Widodo said the three suspects could not travel abroad, but were not being detained. President Suharto fired the three and one other central bank director last week, leaving observers to speculate whether this signalled a change in Indonesia's commitment to an IMF package and its ability to protect the battered rupiah. *Sander Thoenes, Jakarta*

■ SAUDI BUDGET

Riyadh increases expenditure

Saudi Arabia yesterday issued its 1998 budget, increasing expenditure by SR15bn ($4bn) to SR196bn from this year's projected spending, the official Saudi Press Agency reported.

It said the budget deficit would rise by SR1bn over this year to SR18bn. Revenue for 1998 was forecast at SR178bn.

King Fahd told the weekly cabinet meeting that the budget was "part of steps towards achieving balanced finances and enhancing the strength and growth of the national economy". He said the budget included SR9bn for new infrastructure projects.

It allocated SR45.3bn for the oil sector and SR9.2bn for Saudi Arabian Airlines. *Reuters, Dubai*

■ LAW AND ORDER

Albanian violence continues

Renewed violence in Albania has claimed the life of nine policemen this month, as the authorities struggle to re-establish law and order. Crime remains widespread in Europe's poorest country, after the anarchy earlier this year in which more than 1,500 people were killed in the wake of the collapse of a series of fraudulent pyramid finance schemes.

The latest police victim was shot dead on Sunday by masked gunmen in Shijak, 40km north-west of Tirana, despite recent orders from the Albanian Interior Ministry to the police to shoot masked gunmen without warning.

In Gjirokastra, in southern Albania, a powerful bomb damaged a bridge near the centre of the town, the 10th explosion in the area in less than a month.

Neritan Ceka, interior minister, said the attacks were "organised political crimes aimed at giving the impression that order has not been restored in Albania... The opposition is conducting a policy of banditry and inciting the population to keep weapons and cause explosions," he said. Several thousand people joined a demonstration in Tirana at the weekend called by the opposition to demand new elections. *Kevin Done, London*

■ UKRAINE ECONOMY

IMF issues $50m tranche

The International Monetary Fund yesterday issued Ukraine with the latest $50m tranche of a $542m stand-by loan, according to the country's central bank. The instalment brings to about $200m the amount the Ukrainian government has received from the IMF since the loan was approved in August.

An IMF mission visited Kiev last week to assess Ukraine's compliance with the loan conditions. In November the country received two payments totalling $103m, which had been delayed after the country exceeded IMF limits for its fiscal deficit.

The country has also been helped through recent financial difficulties by a bond deal with Merrill Lynch, which netted it a total of 536m hryvnia ($283m), according to the Finance Ministry. *Tiffany Carlsen, Kiev*

■ BAIL APPLICATION

Kaunda in court appearance

Kenneth Kaunda, the jailed Zambian ex-president accused of involvement in a coup plot, made his second appearance in a Zambian high court yesterday to apply for bail. Proceedings were adjourned to Friday after one of his lawyers, Daniel Lisulo, collapsed in the courtroom as he was about to conclude an application for Mr Kaunda's release on bail. Mr Kaunda, 73, who has been on hunger strike since his arrest last Thursday, looked weak, tired and pale. *AP, Lusaka*

NEWS: INTERNATIONAL

Confusion, disorganisation and delays mark second-only multi-party election

Kenyans relish their day at polls

By Michela Wrong in Nairobi

Queueing outside the St Theresa school in the Mathare Valley slum, John Mungai had few kind words for the choice awaiting him inside the classroom, turned for the day into a polling station.

"None of the candidates has ever addressed the issue of cholera, our main concern," he complained. "They have only talked about national issues."

But his evident contempt for the political players who had preferred to ignore Mathare Valley's fetid rubbish dumps, widening potholes, open sewers and its spreading epidemic was not about to deter him.

"When you are in the ring you can fight. If you are out of the ring you can't," he explained. "If we don't vote, we cannot make a change."

As reports streamed in from 12,700 polling stations, the story across the country was one of disorganisation, confusion and delay.

Polling stations opened hours behind schedule, ballot papers were sent to the wrong constituencies or ran out entirely and electoral officers failed to report for work. In three constituencies in Garissa District, voting was postponed because of flooding.

As complaints mounted, the Electoral Commission announced that stations affected by weather or logistical problems would remain open another 24 hours and counting would not start until tomorrow evening. "There is nothing sinister in the irregularities," a spokesman insisted.

And as the day wore on in what are only the second multi-party elections since independence, a boycott call by Kenneth Matiba, runner-up in the 1992 contest, appeared to be falling on deaf ears.

Most of the 9m voters were choosing to exercise what still seemed like a hard-won right despite the widespread conviction that President Daniel arap Moi, tipped to win in the first round, remained unbeatable in the face of an opposition divided on tribal lines.

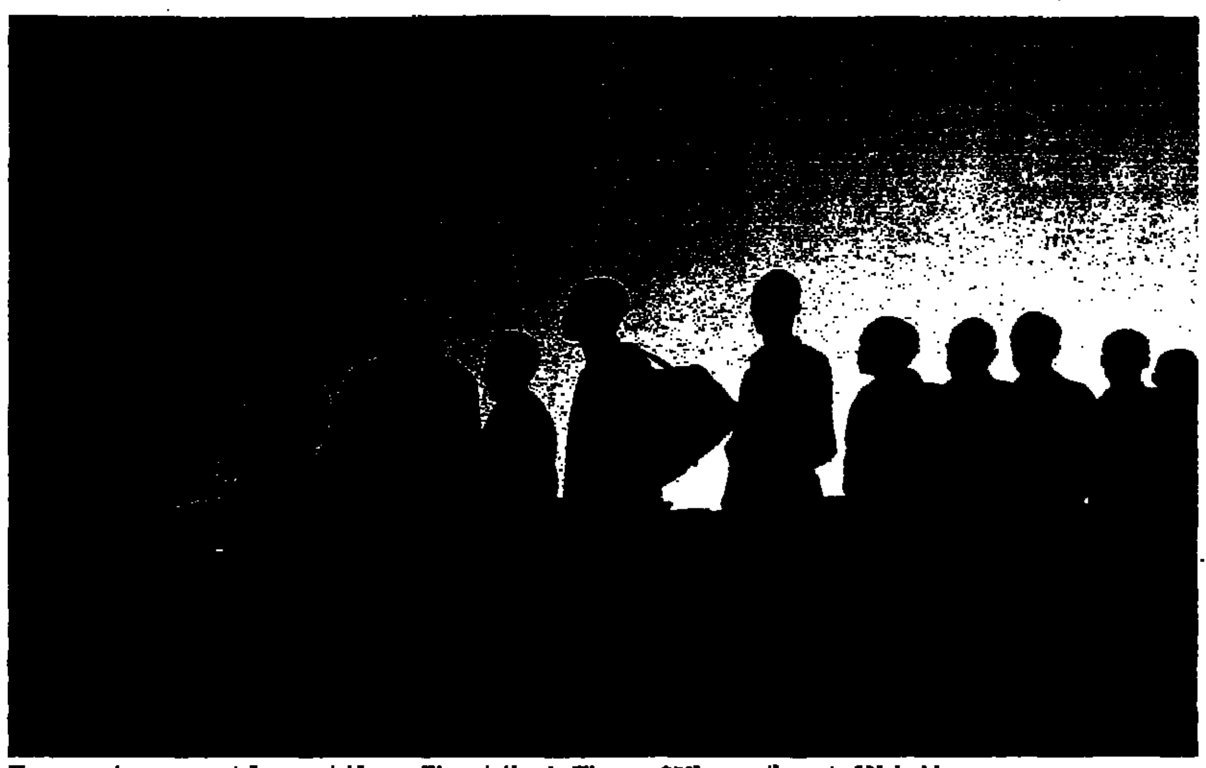
"I'm voting not because I think we will win but so that Moi knows we are against him," said a young woman queueing in Ngong, on the capital's outskirts. "I'm not making a difference, but I am making a statement."

But in a political climate where the ruling Kanu party and opposition rivals have repeatedly accused each other of hooliganism, vote-buying and bribery, the chaos inevitably fuelled suspicions on all sides of electoral tampering. Observing the motionless lines of voters, George Saitoti, Kenya's vice-president, fumed over a shortage of presidential ballot papers in his Kajado north constituency. "I am disgusted with what I have seen," he said. "I will not vote until the last person here has cast their ballot."

Despite a promised mass deployment of security forces, the low-level violence that has dogged the campaign resurfaced. Three vehicles were destroyed in central Muranga district during a clash between supporters, and police intervened to halt fighting in Busia, bordering Uganda.

But the coastal port of Mombasa, traditionally a political hotbed, was reported to be quiet following the arrest of Sheikh Khalid Balala, an Islamic preacher who had promised to disrupt the polls.

The last-minute withdrawal of two presidential candidates leaves Mr Moi facing 12 challengers. To win he must secure the highest tally and at least 25 per cent of the vote in five provinces. But the opposition's failure to field a single candidate has vastly improved his chances of pulling that off.



Kenyan voters queue at dawn outside a polling station in Kisumu, 350km north-west of Nairobi AP

Argentina and Chile clinch mining accord

By Ken Warn in Buenos Aires

Argentina and Chile yesterday signed a treaty laying the legal and tax framework for mining operations straddling their 5,000km border. The countries hope the treaty, which will govern all mining activities from exploration to refining and which must be ratified by legislatures, will boost investment in the sector.

Mineral deposits in the border zone include gold, copper and iron.

Mining companies operating in the region will be able to transport products out through either country. This should allow Argentine operations easier access to Pacific Rim markets via Chile. The treaty is also intended to eliminate the threat of double taxation for mining companies with cross-border operations.

Signing of the accord, under negotiation for four years, was delayed for six months by a dispute over the shared Continental Glacier region in the south. The region is excluded from the treaty, which designates nine zones of mining interest and covers a strip varying in width from 15km to 190km on the Chilean side of the border and from 20km to 220km on the Argentine side.

Specific protocols will be negotiated for individual mining operations.

"This treaty is a clear message to the international mining community that there will be excellent opportunities for major investments in the Andean region in the next century," said Alieto Guadagni, Argentina's industry secretary.

Argentina's mining industry is in its infancy compared with that of Chile. But reform of Argentina's mining laws in 1993, which swept away state regulation and created a more stable tax regime for investors, has transformed prospects. The government forecasts that investment in the sector from 1997 to 2002 will exceed $3bn, with mining exports forecast to grow by more than 200 per cent a year to hit $1.3bn in 2000.

Chile and Argentina were yesterday also due to sign an accord integrating electricity grids. The agreement, similar to one between Argentina and Brazil, will allow distributors and other users to buy power from generators either side of the border.

Nature defies insurers' predictions

By Ralph Atkins in Bonn

Gloomy predictions by the world's insurance companies that natural catastrophes would become much more frequent and expensive failed to be realised in 1997, Munich Re, the world's largest reinsurance company, reported yesterday.

Although the number of lives claimed by natural disasters rose from 12,000 to 13,000 this year, economic losses halved from $60bn to $30bn, according to Munich Re's annual survey. The bill picked up by the international insurance industry for damage covered by insurance policies fell from $9bn to $4.5bn in 1997.

In the early 1990s, the biggest catastrophes were caused mainly by earthquakes and storms – including the 1990 winter gales in Europe and the 1994 Californian earthquake. But Munich Re reported the biggest losses in 1997 as coming from flooding in the summer across much of central Europe. Total damage is put at $5.3bn with Poland and the Czech Republic suffering the biggest losses of $2.9bn and $1.8bn respectively. Insurance claims from flooding alone by the Oder, Nysa and Morava rivers totalled about $800m.

Meanwhile, the El Niño weather effect was blamed for flooding in south America and Somalia – as well as forest and bush fires in Indonesia and Australia. Economic losses from late September earthquakes in Assisi, Italy, which claimed 11 lives, reached $2bn.

In total, Munich Re – which specialises in "reinsuring" other insurance companies against big losses – reported 530 "large loss" events in 1997. That was noticeably lower than the 580-600 typically reported in previous years. Earthquakes, volcanic eruptions, forest fires, droughts, heat waves, cold spells, landslides and avalanches were less frequent and caused less damage in 1997.

However, Munich Re said a comparison of the past 10 years with the 1960s showed that the number of natural catastrophes has risen threefold and the cost to economies, after adjusting for inflation, was eight times higher. It typically includes in its definition of natural catastrophe events causing at least $1bn of damage or widespread death.

"The main reasons for this dramatic increase are the increasing concentration of populations and value in cities, which are often located in high-risk zones, and the greater susceptibility of modern industrial societies to infrastructure disruption. A change in this development is not in sight."

It warned that ever greater weather extremes – for instance in the amount of rain and wind speeds – would have catastrophic effects. Attempts to curb manmade changes to the environment would help, but the measures to cut greenhouse gas emissions, agreed at this month's Kyoto summit in Japan, were inadequate.

10 major natural disasters 1997

Date	Event	Country	Economic losses ($m)	Deaths
January 1-11	Floods	US (West coast, esp. California)	2,000	10
April 4-29	Floods	US (esp North Dakota)	1,000	3
May 10	Earthquakes	Iran (esp. Qom), Afghanistan	500	1,573
July 1-22	Floods	China	1,250	284
July 5 - August 10	Floods	Central and Eastern Europe	5,300	110
July 15 - September 15	Floods	Burma		1,000
August 18-20	Typhoon Winnie	China, Japan, Taiwan North Korea Philippines, Mariana Islands	2,700	311
September 26	Earthquakes	Italy (Assisi)	2,000	11
October - November	Floods	Somalia		1,460
November 2-5	Typhoon Linda	Vietnam, Thailand, Cambodia	470	764

Source: Münchener Rück

More arrests by Nigerian army

Nigeria's army said yesterday it had made more arrests and had set up a special commission to investigate an alleged plot to overthrow Sani Abacha, the country's military ruler, Reuter reports from Lagos.

The names of those arrested were not disclosed. Gen Abacha's deputy, Lieutenant-General Oladipo Diya, was one of 12 people arrested on December 21 in connection with the plot.

Like Gen Diya, most of those so far arrested are from the Yoruba ethnic group in south-west Nigeria. Gen Abacha is from the Hausa-speaking north.

Gen Abacha took power in the turmoil following the annulment of a 1993 election by a previous army government which Moshood Abiola, a Yoruba businessman, was poised to win. Mr Abiola has been in detention since 1994.

Gen Abacha has promised to restore civilian rule by next October but his opponents brand his plans for democracy a sham, saying they will allow him to hold on to power as a civilian president.

Western countries, which have imposed limited sanctions to push Nigeria towards democracy, have also expressed doubts over the seriousness of the transition plan, and have demanded the release of political prisoners.

Will Hollywood's Titanic prove to be unsinkable?

LETTER FROM LOS ANGELES

by Christopher Parkes

Whatever omissions from *Titanic's* script induced one critic to suggest James Cameron should learn to write, the absence of the order "*Abandon ship!*" is the most instructive.

The film suffers no lack of the Hollywood sea disaster's stock-in-trade of stoical chit-chat and crazed crowds milling about in the background. But not once is the fatal cliché heard in the final cut's 3 hours and 14 minutes.

In art as in life.

During production, the deeper writer-director Cameron delved into his employers' pockets, the more pointless it became even to think of abandonment, and the harder News Corp's 20th Century Fox and Viacom's Paramount studios had to work to stay calm.

The backers bickered as the budget topped $200m and all previous records. As Cameron was to confirm recently, no one had the foggiest idea how much the film would eventually cost because no one had ever done the things he was attempting: such as building a custom-made $20m studio and a 750ft mock-up of the transatlantic liner.

The watchers on the shore, film-makers and Wall Streeters alike, shaken by a succession of $100m films foundering into loss or just squeaking into profit, looked on in disbelief mingled with glee. Pundits and accountants, calculating unprecedented ticket sales would be needed to turn a profit, predicted an accelerated end to Hollywood's binge-spending and artistic indulgence reminiscent of the mogul era.

Yet *Titanic*, last year's *folie de grandeur*, is on course to become 1998's *tour de force*.

The profligate Cameron is now seen as an artist-hero who has reminded the world of what Hollywood can do at its best – even tempting the New York Times critic swooningly to liken the film to *Gone With The Wind*.

Made for the price of five average Hollywood features, *Titanic* already has enough to live up to without being burdened with the status of a Hollywood legend.

But last weekend, still steaming after a week on screen, it came up against five newly released, highly rated films and grossed almost $36m compared with the opposition's grand aggregate of $40m.

By setting pulses racing at this rate, and with a batch of Oscars and other accolades virtually assured, *Titanic* should serve to remind that the value of a film to its makers extends far beyond whatever profit margin it ekes out in the cinema.

Sales of home videos and international television auctions come next and, if the NYT reviewer got it right, will likely continue to cover the cost of Cameron's extravagance several times over before the next century is out.

□ □ □

At the risk of over-egging the News Corp pudding, Rupert Murdoch has been selected by our jury of one as LA's Man of the Year. Having set up home in the City of Angels, he has busied himself politicking and stamping on toes.

His sports TV business runs head-to-head with Walt Disney's ESPN franchise nationally. It is especially combative in Disney's own southern Californian backyard, where News Corp's imminent purchase of the fabled LA Dodgers will do nothing for the humour of a competitor that depends for local appeal on the lacklustre attractions of the Anaheim Angels and moribund Mighty Ducks hockey team.

Mr Murdoch also won marks for maintaining a dignified (public) silence while James Cameron was making free with large sums of Fox money.

But his claim to the award was sealed early in the year when, speechifying on the media, and touching on the blending of PC and TV technology, he said he did not care how convergence came about as long as it did not mean there would be "toll-Gates" in every living room.

That was a good six months before anyone else appeared even to suspect that young Bill's planned contribution to the rejigging of cable TV systems for the digital age included an exclusive software siphon to accommodate the flow of large sums to Microsoft's coffers.

□ □ □

Mouse of the Year is Jeffrey Katzenberg, co-founder of DreamWorks, who agreed to an out-of-court settlement of his claim for $250m in unpaid bonuses against former employer Walt Disney.

In return for a measly $100m or so, he deprived the world, Wall Street and Disney's rivals of an unprecedented open-court review of an executive compensation scheme which makes James Cameron's spending habits look the model of Hibernian thrift.

□ □ □

Rat of the Year is the anonymous person or corporation responsible for providing certain journalists with a non-stop, year-long fax service comprising every available negative news story about DreamWorks.

Throughout Katzenberg's dealings with Disney to partner Steven Spielberg's travails with a plagiarism charge, no opportunity was missed to dish the dirt and remind writers that blowing through film budgets is the least of filmdom's failings.

South Korea approves financial reform bills

By John Burton in Seoul

South Korea's parliament yesterday approved a package of important financial reform bills demanded by the International Monetary Fund as part of its $57bn bail-out.

The legislation will begin dismantling the extensive powers wielded by the finance ministry, which has been criticised for causing South Korea's debt crisis because of poor administration.

The central bank will gain independence from the finance ministry in setting monetary policy.

A new unified financial supervisory agency to oversee the bank, securities and insurance sectors will be placed under the prime minister instead of the finance ministry as originally intended.

Passage of the legislation came as main US lenders prepared to meet in New York yesterday to discuss rolling over loans to Korean banks.

Last week, South Korea promised the IMF it would approve the financial laws by today, along with other measures.

These include allowing foreign investors to acquire up to 55 per cent of listed Korean companies for the purpose of friendly mergers and acquisitions, and opening the bond market fully to overseas investors.

The full opening of the stock market to foreigners will occur on April 1 under another law approved yesterday.

The new laws also require conglomerates to prepare consolidated balance sheets, giving investors a clear picture of the financial strength of leading industrial groups.

But there were still signs of resistance to reforming Korea's troubled banking sector by the closure of insolvent institutions or by allowing them to be taken over by foreigners.

Parliament failed to pass a controversial law allowing the dismissal of employees from banks that would be bought by foreign investors, though the political parties suggested they would review the measure next month.

The finance ministry said it would mobilise at least Won28,000bn ($15.2bn) through bond issues and borrowings from the central bank next year to restructure the banking sector and improve the deposit insurance fund.

It planned to spend at least Won5,000bn to bolster the equity base of commercial banks to enable them to meet Bank for International Settlements capital adequacy levels, as demanded by the IMF, and prevent them from being closed or merged.

However, it will provide a similar amount to support mergers and acquisitions among troubled investment banks and insurance companies.

Meanwhile, the finance ministry extended the suspension of nine investment banks as it prepared to decide whether they could be saved or allowed to fail once the threatened banks submit preliminary rehabilitation plans this week.

The won closed stronger against the US dollar yesterday, finishing at 1,395, up from Friday's close of 1,498, as dealers said confidence was returning to the market.

Last week, the IMF agreed to the early disbursement of $10bn to prevent South Korea from declaring a debt moratorium.

Kim's right-hand man helps pull Seoul from brink

You Jong-kuen, a top economic adviser to South Korea's president-elect, was a worried man last Monday. "Korea was very close to a debt default. I almost felt like crying." But in the next 48 hours, Mr You helped arrange a deal with officials from the International Monetary Fund and the US to advance $10bn from a record $57bn bail-out that saved Korea from declaring a debt moratorium.

The US and IMF became convinced that Kim Dae-jung, the president-elect, would proceed with tough conditions demanded by the IMF, including open capital markets and labour market flexibility.

In a crucial meeting with David Lipton, US Treasury undersecretary, Mr Kim "quickly settled the score. He told Mr Lipton his first priority was not job security but economic competitiveness. When he heard that, a smile broke out over Mr Lipton's face," recalls Mr You.

Analysts believe that Mr You played a crucial role in persuading Mr Kim to support economic reforms, despite the president-elect's long-standing support for trade unions.

As governor of North Cholla province, Mr You, 53, has been an advocate of market reforms and foreign investment in a nation that has shunned both policies. Although once dismissed as quixotic, Mr You has suddenly emerged as a leading figure in what Koreans are calling the "IMF era".

Mr You has harshly criticised as "undemocratic" the economic power wielded by Korea's big conglomerates, or *chaebol*, and the finance ministry, which has guided the nation's centralised capitalism. He also believes that demands by trade unions for *lifetime employment have* held back Korea's development of an entrepreneurial economy.

Mr You also became involved in Korea's democracy movement when the nation was ruled by military governments and befriended *Mr Kim when he sought* political exile in the US in the 1980s. He has since served as an economic adviser to Mr Kim, who has *chosen many aides with a* US background.

You Jong-kuen has suddenly emerged as a leading figure in what Koreans are calling the 'IMF era'

Mr You's maverick views *are the result of his exposure* to the US, where he spent nearly half his life. After graduating with a doctorate in economics from the State University of New York at Binghamton in 1973, he taught at Rutgers University in New Jersey and served on an economic advisory council for the state governor for two decades.

The influence of Mr You became apparent in 1992 when Mr Kim published a book, Mass Participatory Democracy, that called for economic deregulation. Meanwhile, Mr You sought to test his economic beliefs by returning to Korea and being elected governor of North Cholla province, a political stronghold of Mr Kim, in 1995.

North Cholla had long been neglected by the *central government in Seoul in* its allocation of important economic projects. Mr You sought to revive the province's fortunes by calling for *local economic development* based on market reforms and foreign investment.

He managed to attract several modest foreign investment projects after placing advertisements in main international newspapers and making overseas visits. Bigger foreign investments may be on the way.

He is trying to persuade Michael Jackson, the US pop singer, to purchase a bankrupt ski resort, with the province conducting a feasibility study to expand it into *an entertainment centre.*

More important is a proposal by Dow Corning to build a $1bn silicone plant in North Cholla, which would be the single biggest foreign investment in Korea. A decision is expected by January.

But Mr You's efforts to attract foreign investment and liberalise the local econ*omy did not always please* the central government, which has increased the governor's distaste for the nation's bureaucracy.

He is also not afraid to disagree with Mr Kim. He thinks the president-elect's criticism of the IMF during the campaign was unfortunate but understandable given the close race.

Mr You opposes Mr Kim's proposal to tap the underground economy for funds to support increased unemployment benefits. He favours *financing by transferring* state money from infrastructure projects that would be cut from the budget.

Although tipped to become Korea's finance minister, Mr You said he had no intention of assuming the post and planned to return to North Cholla. "I was called in to help deal with the economic *crisis and I expect it to be* resolved by the time the president-elect is inaugurated on February 25."

But he is worried that Korea might again become complacent now the IMF has agreed to advance $10bn and fail to push through needed economic reforms.

John Burton

Thailand seeks Boeing deal delay

By Ted Bardacke in Bangkok

Stung by deep budget cuts and the soaring cost of imports, the Thai air force is seeking to delay the purchase from Boeing of eight F/A-18 strike aircraft valued at $392m. It is the largest arms contract to fall victim to east Asia's economic crisis.

Thai officials will try to negotiate a three-year extension, to 2003, of $317m still due to the US company. Air force officials said they originally thought of scrapping the entire deal but were put off by a $250m termination penalty. They were open to *offers to sell the contract to* a third country, if Washington approved.

Analysts say the repercussions on western arms manufacturers are likely to be severe, with Russia and other low-cost or flexible producers emerging as potential beneficiaries.

Last year east Asia *accounted for 26 per cent, or* $10.2bn, of the world's arms imports, larger than all Nato countries combined, according to the London-based International Institute for Strategic Studies. Indonesia, Malaysia, Singapore, South Korea and Thailand were among the 11 largest arms importers.

Thailand's 1998 defence budget has been cut by 23 per cent from its original Bt105.2bn ($2.2bn), part of an 18.5 per cent cut in overall government spending. Conditions attached to the International Monetary Fund's $17.2bn rescue package require a fiscal surplus of 1 per cent of gross domestic product next year.

Chuan Leekpai, the new Thai prime minister, who has taken the defence minister's portfolio in an attempt to maintain good relations with the politically powerful military while its budget is being slashed, said he thought it was "impossible" to meet the *IMF target* because of lower than expected revenue collection.

The fighter deal is subject to a $93m counter-trade provision, whereby Boeing will take delivery of Thai commodities such as rubber, frozen chicken and canned fruit in lieu of cash. Analysts say such provisions are becoming more common in the east Asian arms trade, as are deals whereby foreign companies agree to manufacture hardware in the purchasing country.

Hopewell signs deal to build $1.6bn power plant on Java

By Louise Lucas in Hong Kong

Hopewell Holdings has signed a deal with the Indonesian government to build a new $1.6bn (£950m) power plant on Java, the Hong Kong based infrastructure group said yesterday.

The move comes as Asian governments are delaying infrastructure projects because of a shortage of funds in the wake of the currency crisis.

Indonesia has shelved several projects, and in reviving the coal-fired Tanjung Jati C power plant it has selected one of the more expensive and least environmentally friendly projects on its list. Moreover, Java island already has more power than it can distribute.

While the deal is a coup for Hopewell, whose share price surged 11 per cent on the news yesterday, it is likely to raise hackles elsewhere, especially with the World Bank and the Indonesian state power utility, PT Perusahaan Listrik Negara (PLN).

The World Bank has warned that such private deals could prevent it from extending loans to PLN for a power transmission line across Java, as it is unclear how contracts are awarded. One of Hopewell's partners is a daughter of President Suharto. PLN has said it is going to make huge losses through having to pay for big plants it does not need.

In order to clinch the Tanjung Jati C project, Hopewell lowered the tariff from its existing Tanjung Jati B plant, from $0.0645 to $0.0573. It is to start supplying electricity in 2002, and will operate the concession for 30 years.

Sir Gordon Wu, chairman of Hopewell, said it was able to offer the "attractive" tariff rate – which is still sharply higher than the 175 rupiah per kilowatt hour now charged by the national power utility to consumers – as a result of economies of scale reaped by operating two big plants on the same site.

The new power plant doubles Hopewell's current power activities. The Tanjung Jati B plant, adjacent to the new project and due to be completed in 2000, was carved out of Consolidated Electric Power Asia (Cepa), the power company spun off by Hopewell and subsequently sold to Southern Company, the US electricity group.

Hopewell has commitments for a $1.33bn loan to finance Tanjung Jati B and said it will fund the new 1,320MW plant mainly through project financing, the bulk of which will come from import-export credit. Hopewell will put up $405m, or a quarter of the total cost.

However, bankers said Hopewell would have a tough time raising the cash. Banks are increasingly wary of lending on infrastructure projects in south-east Asia in the wake of the financial turmoil in the region's markets and deteriorating credit quality.

The risk element has been further heightened for projects whose revenue stream will be in local currency, as currencies in the region have been falling against the US dollar – the currency used for major outgoings such as equipment.

The deal is a bright spot for Hopewell, whose involvement in the beleaguered Bangkok road and rail project is still dubious. The Thai government says it has eliminated Hopewell from the $3.7bn Bangkok elevated road and train system; Hopewell insists it has yet to receive notification of its termination.

Russia in $3bn nuclear reactor deal with China

By James Harding in Shanghai

Russia yesterday signed a $3bn (£1.8bn) agreement to provide nuclear generating equipment for a power plant in China, a landmark deal which will help lift the meagre volume of Sino-Russian trade.

Li Peng, China's prime minister, and Boris Nemtsov, Russia's first deputy prime minister, attended the signing in the Great Hall of the People in Beijing, drawing to a close a year of increasingly warm relations and strengthening economic ties.

The contract requires Russia to design and build two 1,000MW reactors for a nuclear power plant in Lianyungang in Jiangsu province on China's eastern seaboard.

Construction is due to start in June 1999 and the reactors are expected to become fully operational in 2004 and 2005, according to a report by the official Xinhua news agency.

Last month, Russian President Boris Yeltsin visited China, greeting President Jiang Zemin, with a trademark bear-hug that underscored the improved relations in recent years between Moscow and Beijing.

However, the low level of Sino-Russian trade remains a cause of concern to both sides and yesterday's deal, which has been under negotiation for a number of years, will help lift the figures. Trade between China and Russia reached $6.84bn last year compared with China's trade with Japan of $60bn.

When Mr Yeltsin visited Beijing, he brought a delegation of 50 business people in the hope of fostering deeper commercial ties. At that time, China and Russia also signed a $12bn gas pipeline deal to transport liquefied natural gas from Siberia to China's Pacific coast.

Officials at the Russian embassy had hoped the nuclear equipment deal might also have been finalised in time for Mr Yeltsin's visit, but it took longer to reach a final agreement on price.

The Lianyungang nuclear power plant will add to China's fledgling nuclear power industry, which includes two functioning nuclear facilities – one in Guangdong province in southern China, and another in Zhejiang province in eastern China.

Western-style medical care takes leap forward in China

By Nancy Dunne in Washington

The first western-operated hospital in Beijing opened this month, representing a leap forward for a US company planning to launch a string of facilities aimed at treating expatriates and China's growing middle class.

The $3m hospital is the brainchild of two American women who have been selling medical supplies and equipment in China since 1979.

Roberta Lipson, president of the US-China Industrial Exchange (Chindex), and Elyse Silverberg, vice-president, plan to open satellite facilities around its hospitals in five Chinese cities.

"We've been bringing medical technology to China for 18 years," said Ms Lipson.

"It became apparent to us that the best thing we could offer was the software for administering a hospital for patient-centred care that is efficient and convenient."

The Beijing United Family Health Centre has already begun an out-patient facility. The hospital – to specialise in treating women and children – will offer an alternative to China's clogged public health system, which requires waiting in long queues at hospitals for even minor complaints.

Beijing's new western-operated hospital – to serve a growing middle class

Resident westerners have often left the country for treatment, even going abroad to give birth. The company expects that 70 per cent of the patients in the first hospital will be expatriates and 30 per cent from the local population.

Chinese patients are expected to comprise the majority in future hospitals.

The Chinese health care system is underfunded and overburdened. Although the state hospitals have improved over the years, the wait is particularly hard on the average family with two working parents and one child.

"If the child has a cold, one of them must take time off from work to queue at a hospital," Ms Lipson said. "There is no such thing as a private office and only a budding concept of over-the-counter drugs."

But the sector is being slowly reformed. The ministry of health has been working on a list of common pharmaceuticals which could be sold in supermarkets.

Chindex, which once had to sell through one of the government-owed foreign trade corporations, has received permission to stock goods in a bonded free trade zone and sell them directly. Sales last year totalled $40m.

"Once it was hard to see a day that private health care would be a profitable bet," said Ms Lipson. "But the economy is growing by leaps and bounds.

"There is a large and growing middle class enjoying many of the good things in life. Why not health care?"

INTERNATIONAL ECONOMIC INDICATORS: NATIONAL ACCOUNTS

Figures for GDP are in billions of European currency units (Ecu). The first breakdown is in current prices and the second shows growth rates in the constant price series.

UNITED STATES

CURRENT PRICES	Gross Domestic Product	Private Cons. (as a % of GDP)	Private Invest. (as a % of GDP)	Govt. Spend. (as a % of GDP)	Net Exports (as a % of GDP)
1987	4,065.8	65.9	15.9	21.2	–3.0
1988	4,267.2	66.3	15.3	20.4	–2.1
1989	4,936.6	66.1	15.2	20.1	–1.5
1990	4,506.7	66.8	13.9	20.5	–1.2
1991	4,774.9	67.2	12.4	20.7	–0.3
1992	4,819.3	67.6	12.7	20.2	–0.5
1993	5,602.8	68.0	13.4	19.6	–0.9
1994	5,859.1	67.9	14.5	18.9	–1.3
1995	5,619.9	68.2	14.3	18.7	–1.2
1996	6,096.4	68.2	14.6	18.4	–1.2
4th qtr.1996	6,205.8	68.1	14.8	18.3	–1.1
1st qtr.1997	6,773.3	68.1	15.0	18.1	–1.2
2nd qtr.1997	7,056.5	67.6	15.5	18.0	–1.1
3rd qtr.1997	7,458.2	68.0	15.4	17.9	–1.4

CONSTANT PRICES (% growth in)	GDP	Cons.	Invest.	Govt.	Exports
1987	2.9	3.1	1.2	2.7	11.0
1988	3.8	3.9	0.8	1.3	15.9
1989	3.4	2.3	4.3	2.8	11.7
1990	1.2	1.7	–5.6	3.0	8.5
1991	–0.9	–0.6	–9.4	0.6	6.3
1992	2.7	2.8	7.1	0.5	6.6
1993	2.3	2.9	9.3	–0.9	2.9
1994	3.5	3.3	13.0	0.0	8.2
1995	2.0	2.4	1.5	0.0	11.1
1996	2.8	2.6	7.8	0.5	8.3
4th qtr.1996	3.3	2.7	10.4	1.9	9.3
1st qtr.1997	4.0	3.2	13.5	1.4	11.4
2nd qtr.1997	3.4	2.5	13.0	0.4	13.6
3rd qtr.1997	3.9	3.8	9.5	0.9	14.3

JAPAN

CURRENT PRICES	Gross Domestic Product	Private Cons. (as a % of GDP)	Total Invest. (as a % of GDP)	Govt. Cons. (as a % of GDP)	Net Exports (as a % of GDP)
1987	2,097.9	58.9	28.5	9.4	3.2
1988	2,467.5	58.2	30.4	9.2	2.3
1989	2,631.1	58.2	31.3	9.1	1.4
1990	2,335.8	58.0	32.3	9.0	0.7
1991	2,752.2	57.2	32.2	9.0	1.7
1992	2,870.9	57.8	30.8	9.2	2.2
1993	3,847.4	58.6	29.7	9.4	2.3
1994	3,962.7	59.7	28.7	9.6	2.1
1995	3,977.6	60.1	28.6	9.8	1.5
1996	3,672.6	59.6	30.0	9.7	0.5
4th qtr.1996	3,541.5	60.1	29.7	9.6	0.6
1st qtr.1997	3,619.4	61.2	28.9	9.5	0.4
2nd qtr.1997	3,692.2	60.2	28.7	9.8	1.4
3rd qtr.1997	3,958.5	60.6	28.5	9.7	1.3

CONSTANT PRICES (% growth in)	GDP	Cons.	Invest.	Govt.	Exports
1987	4.1	4.2	8.0	1.6	–0.5
1988	6.3	5.3	13.7	2.3	5.9
1989	4.8	4.7	8.2	2.0	9.2
1990	5.2	4.4	7.9	1.5	6.9
1991	3.8	2.5	4.1	2.0	5.2
1992	1.0	2.1	–3.0	2.0	5.0
1993	0.3	1.1	–2.4	2.4	1.3
1994	0.7	1.9	–1.2	2.4	4.6
1995	1.4	2.0	2.1	3.3	5.4
1996	4.1	2.9	10.2	1.5	3.4
4th qtr.1996	3.4	2.5	5.3	1.8	8.0
1st qtr.1997	2.8	4.5	–1.4	0.0	9.3
2nd qtr.1997	–0.2	–0.4	–5.1	–0.7	15.2
3rd qtr.1997	1.0	1.0	–3.0	–0.2	11.0

GERMANY

CURRENT PRICES	Gross Domestic Product	Private Cons. (as a % of GDP)	Total Invest. (as a % of GDP)	Govt. Cons. (as a % of GDP)	Net Exports (as a % of GDP)
1987	961.5	55.7	19.3	20.0	5.0
1988	1,009.8	55.0	20.1	19.7	5.2
1989	1,075.2	55.0	20.8	18.8	5.4
1990	1,182.9	54.4	21.5	18.3	5.9
1991	1,396.7	57.1	23.5	19.5	0.0
1992	1,521.5	57.1	22.9	20.1	–0.1
1993	1,631.2	58.0	21.4	20.1	0.5
1994	1,728.2	57.4	22.4	19.6	0.6
1995	1,867.5	57.2	22.4	19.5	0.8
1996	1,879.3	57.8	21.2	19.8	1.2
4th qtr.1996	1,859.6	57.7	21.7	19.4	1.2
1st qtr.1997	1,858.2	57.5	21.6	19.8	1.1
2nd qtr.1997	1,864.1	57.8	20.6	19.6	1.9
3rd qtr.1997	1,863.0	57.2	21.1	19.4	2.3

CONSTANT PRICES (% growth in)	GDP	Cons.	Invest.	Govt.	Exports
1987	1.4	3.5	0.3	1.6	–0.1
1988	3.6	2.4	7.6	2.1	5.2
1989	3.7	3.2	6.5	–1.6	10.6
1990	5.9	5.2	8.7	2.2	11.6
1991	4.9	5.7	6.7	0.3	11.0
1992	1.8	2.6	0.6	4.3	–1.5
1993	–1.1	0.3	–6.3	–0.1	–6.0
1994	2.9	1.1	8.9	1.3	8.1
1995	1.9	2.1	1.9	2.2	6.3
1996	1.4	1.2	–1.0	1.8	5.1
4th qtr.1996	2.1	1.2	2.6	–0.1	8.1
1st qtr.1997	2.5	0.3	6.2	1.4	8.8
2nd qtr.1997	2.1	1.5	–0.7	1.0	11.9
3rd qtr.1997	2.3	–0.4	4.9	0.3	13.3

FRANCE

CURRENT PRICES	Gross Domestic Product	Private Cons. (as a % of GDP)	Total Invest. (as a % of GDP)	Govt. Cons. (as a % of GDP)	Net Exports (as a % of GDP)
1987	770.5	60.6	20.2	19.1	0.1
1988	815.2	59.8	21.4	18.7	0.1
1989	877.8	59.4	22.3	18.2	0.1
1990	940.6	59.3	22.5	18.2	0.0
1991	973.0	59.6	21.5	18.6	0.3
1992	1,023.0	59.9	19.7	19.1	1.4
1993	1,067.7	60.6	17.2	20.1	2.1
1994	1,125.5	60.1	18.0	19.7	2.2
1995	1,188.7	59.9	18.3	19.6	2.4
1996	1,228.2	60.6	17.2	19.6	2.6
4th qtr.1996	1,221.7	60.3	17.1	19.7	2.9
1st qtr.1997	1,218.7	60.3	16.6	19.7	3.4
2nd qtr.1997	1,234.4	59.4	17.0	19.5	4.0
3rd qtr.1997					

CONSTANT PRICES (% growth in)	GDP	Cons.	Invest.	Govt.	Exports
1987	2.3	2.9	5.1	2.8	3.1
1988	4.5	3.3	9.8	3.4	8.1
1989	4.3	3.1	8.8	0.5	10.2
1990	2.5	2.7	3.4	2.1	5.4
1991	0.8	1.4	–3.1	2.8	4.1
1992	1.2	1.4	–5.2	3.4	4.9
1993	–1.3	0.2	–13.6	3.4	–0.4
1994	2.8	1.4	10.3	1.1	6.0
1995	2.1	1.7	3.7	0.0	6.3
1996	1.5	2.1	–3.1	1.7	4.8
4th qtr.1996	2.3	1.8	0.2	2.0	8.4
1st qtr.1997	1.4	–0.3	1.5	1.7	5.7
2nd qtr.1997	2.7	0.7	0.5	1.7	13.5
3rd qtr.1997	2.7	0.9	3.0	1.5	12.5

ITALY

CURRENT PRICES	Gross Domestic Product	Private Cons. (as a % of GDP)	Total Invest. (as a % of GDP)	Govt. Cons. (as a % of GDP)	Net Exports (as a % of GDP)
1987	657.7	62.2	21.2	17.1	–0.5
1988	709.3	61.8	21.5	17.3	–0.6
1989	789.8	62.3	21.4	17.0	–0.8
1990	860.5	61.6	21.1	17.8	–0.5
1991	932.3	62.1	20.6	17.9	–0.6
1992	944.1	63.0	19.5	17.9	–0.4
1993	844.1	62.6	16.9	17.9	2.6
1994	858.6	62.8	17.2	17.4	2.6
1995	840.8	62.5	18.2	16.4	2.9
1996	969.7	62.2	17.1	16.6	4.1
4th qtr.1996	992.7	62.4	17.0	16.8	3.9
1st qtr.1997	991.9	63.0	16.8	16.6	3.6
2nd qtr.1997	1,009.4	62.2	17.9	16.6	3.3
3rd qtr.1997					

CONSTANT PRICES (% growth in)	GDP	Cons.	Invest.	Govt.	Exports
1987	3.1	4.1	5.2	3.2	4.6
1988	3.9	4.2	3.7	2.7	5.7
1989	2.9	3.3	3.4	0.9	8.9
1990	2.2	2.4	4.1	1.3	6.8
1991	1.1	2.7	–0.7	1.7	–0.8
1992	0.6	1.0	–1.5	1.1	5.9
1993	–1.2	–2.4	–15.3	0.5	9.1
1994	2.2	1.4	4.2	–0.6	10.7
1995	2.9	1.6	7.4	–1.3	11.6
1996	0.7	0.7	–1.8	0.4	–0.3
4th qtr.1996	0.3	1.0	–7.5	0.8	3.4
1st qtr.1997	–0.6	1.5	–8.2	0.6	–1.8
2nd qtr.1997	1.9	1.9	12.0	0.3	6.0
3rd qtr.1997					

UNITED KINGDOM

CURRENT PRICES	Gross Domestic Product	Private Cons. (as a % of GDP)	Total Invest. (as a % of GDP)	Govt. Cons. (as a % of GDP)	Net Exports (as a % of GDP)
1987	600.8	62.7	18.0	20.6	–1.3
1988	709.6	63.5	20.3	19.9	–3.7
1989	766.9	63.4	21.0	19.7	–4.1
1990	770.8	63.1	19.2	20.5	–2.7
1991	822.1	63.5	16.1	21.6	–1.2
1992	813.8	64.0	15.3	22.0	–1.4
1993	811.1	64.4	15.0	21.8	–1.3
1994	864.8	63.9	15.5	21.5	–0.9
1995	859.7	63.4	16.1	21.2	–0.7
1996	923.1	64.0	15.8	21.0	–0.8
4th qtr.1996	988.5	64.0	15.6	20.7	–0.3
1st qtr.1997	1,069.2	64.0	15.5	20.8	–0.1
2nd qtr.1997	1,122.1	64.2	15.5	20.5	–0.2
3rd qtr.1997	1,183.9	64.1	15.5	20.5	–1.1

CONSTANT PRICES (% growth in)	GDP	Cons.	Invest.	Govt.	Exports
1987	4.8	5.3	10.7	1.0	5.8
1988	5.0	7.5	17.3	0.7	0.5
1989	2.2	3.2	3.6	1.4	4.7
1990	0.4	0.6	–7.4	2.5	5.0
1991	–2.0	–2.2	–12.3	2.6	–0.7
1992	–0.5	–0.1	1.8	–0.1	4.4
1993	2.1	2.5	2.8	–0.2	3.5
1994	4.3	2.8	7.0	2.2	9.3
1995	2.7	1.7	2.6	1.3	7.8
1996	2.4	3.6	0.4	2.0	6.8
4th qtr.1996	3.3	4.3	–1.5	2.5	7.1
1st qtr.1997	3.2	3.6	1.1	1.1	7.8
2nd qtr.1997	3.6	4.5	2.7	2.5	9.1
3rd qtr.1997	3.9	4.3	3.2	3.3	9.1

Seasonally adjusted data used in all cases. GDP is broken down into private consumption expenditure, investment (the sum of gross fixed capital formation and the change in stocks), general government final consumption, and net exports (exports of goods and services minus imports of goods and services). The US includes investment by government in the government series rather than under investment. Quarterly GDP totals are annualised. The growth rates are the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The figures in the fifth column of each set of growth rates refer only to exports, rather than to net exports. Data supplied by Datastream from national government sources.

bills

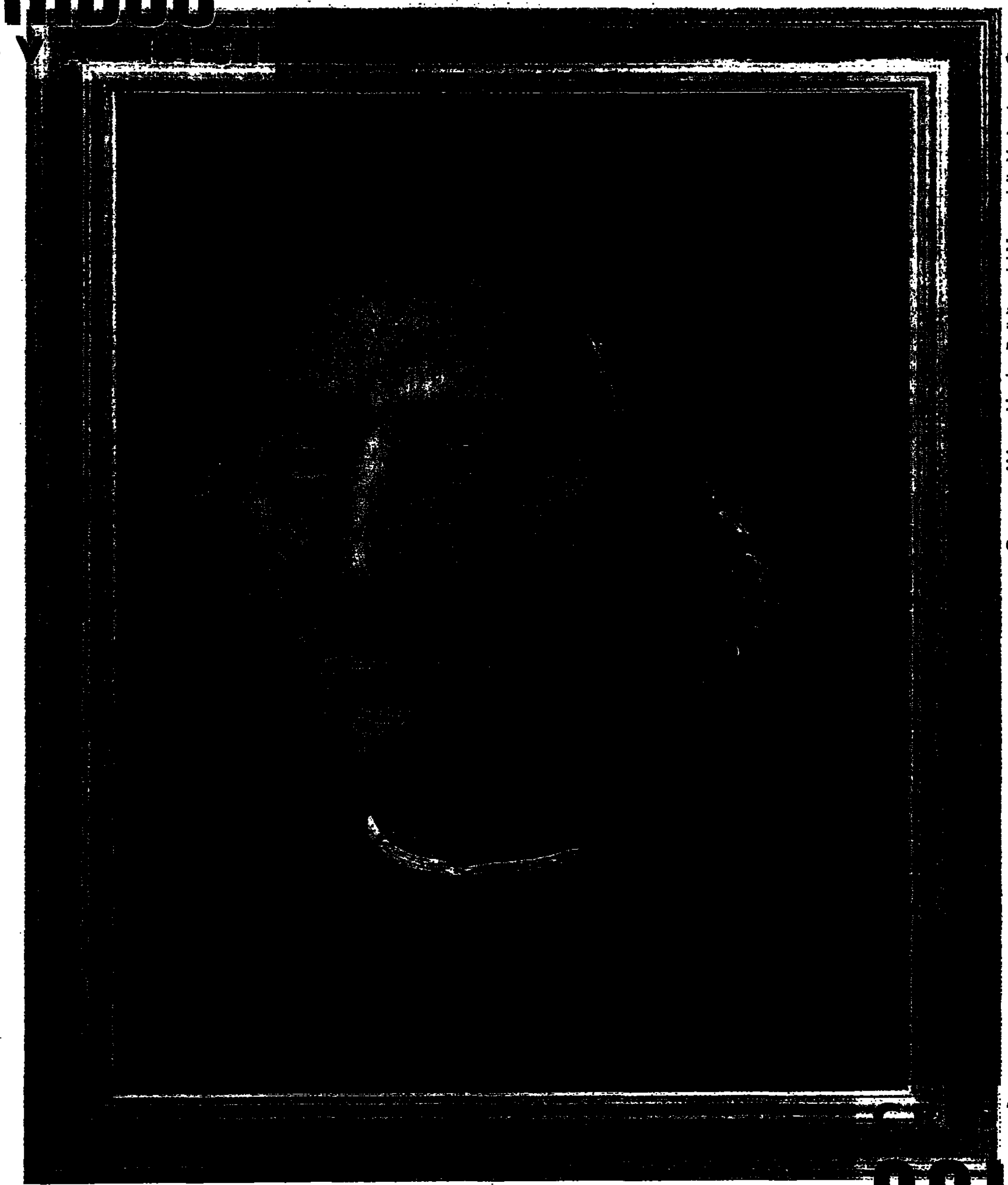
Thailand seeks Boeing deal delay

brink

uclear China

PUBLICIS

CHRISTOPHER
COLOMBUS?
GENOV



Courtesy of Museo Navale - Padiglione del Mare e della Navigazione - Genova.

TÓBAL
COLÓN?
PONTEVEDRA 1451

There is an Italian record that no one can question: Il Sole 24 ORE.

It is not only Spain that contests the Italian origin of Christopher Columbus. Others want to make him Portuguese or even born in Scandinavia. And even if the question now seems to have been settled in favour of Genova, the temptation to carry him away returns every now and again. There is another record which no one can question: the most-widely read business newspaper in Europe, Il Sole 24 ORE, which every day guides professionals, investors and readers, both in Italy and outside Italy, through the sea of regulations and the currents of financial theories towards a better understanding of economic realities. And it does so in surprisingly clear fashion. Perhaps this is more enviable than the discovery of America.

The financial newspaper with the largest readership* in Europe.

* Source: Audipress 97/II (1.551.000 readers).

Advertising information: Miss Maya Biltoo - tel: 0044171-8734362.

Subscription information: e-mail: www.ilsole24ore.it/abbonamen-

Move to protect peace talks after shooting of 'loyalist' terrorist in Northern Ireland prison

Inquiry announced into Maze murder

By John Murray Brown in County Armagh

The government yesterday moved to avert a crisis in the Northern Ireland peace process by appointing Sir David Ramsbotham, the inspector of prisons for England and Wales, to investigate the murder of an anti-republican "loyalist" terrorist in the Maze prison.

The move comes amid continuing calls from pro-British politicians in the region for the resignation of Mo Mowlam, the chief Northern Ireland minister in the UK government.

Three members of the Irish National Liberation Army appeared before magistrates charged with the murder on Saturday of Billy Wright, leader of the breakaway Loyalist Volunteer Force. The LVF rejects the ceasefire observed since 1994 by larger anti-republican paramilitary organisations, just as the INLA rejects the ceasefire by the much larger Irish Republican Army.

The three INLA members refused yesterday to answer the charges. But the police told the court that one had told officers: "Billy Wright was executed for one reason and one reason only – that was for directing and waging his campaign of terror against the nationalist people from his prison cell."

There were growing fears that tit-for-tat retaliation could bring the end of the ceasefire by the main Protestant paramilitary groups, increasing pressure on pro-British politicians to leave the Northern Ireland peace talks.

Security forces yesterday completed a follow-up operation in the wake of a loyalist retaliatory shooting at a Dungannon hotel in which a former IRA member working as a doorman was killed and three other people were injured.

The Rev Ian Paisley, leader of the Protestant Democratic Unionist party, which is boycotting the multi-party peace negotiations, said the murder of Mr Wright had destroyed "the integrity of the talks". He said there would have been an international outcry and the prison would have been closed if an IRA figure had been gunned down rather than a loyalist.

Adam Ingram, the UK government's security minister for Northern Ireland, said yesterday there would be random weekly searches at the Maze. He ruled out any sackings of prison officials.

Mr Ingram said recent security lapses were "not taken lightly". But he said: "There can never be any guarantee of complete security in any prison and especially a prison of this nature."

Senior members of Sinn Féin, the IRA's political wing, declined to condemn the killing of Mr Wright. Police officials said there was no evidence that the IRA had co-operated with the INLA, but it was likely that such an initiative would have been cleared with the IRA.

John White, prisons spokesman for the Ulster Democratic Party, which is linked with the outlawed Ulster Defence Association, warned against retaliatory action.

Editorial Comment, Page 9

Is the Loyal Opposition fit to oppose?

The government fears the media more than the Conservative party

Alastair Campbell, the prime minister's powerful press secretary, complained earlier this month that some BBC staff believe their job is to oppose the government because the Conservatives, the main opposition party, are so bad at the job.

The latest round of BBC-bashing confirmed the sensitivity of the Labour administration: it has a thin skin. But what about Mr Campbell's suggestion that the Conservatives are so useless in opposition that it is left to journalists to keep Tony Blair, the Labour prime minister, on his toes?

The party once led by Margaret Thatcher defeated Labour challenges at four successive general elections and ruled without interruption for 18 years until humbled by Labour in the general election in May this year. Now the Conservatives receive around £250,000 ($410,000) a year of public money to help them carry out the essential democratic role of Her Majesty's Loyal Opposition.

Aides to the prime minister predictably claim that the taxpayer is not getting value for money. "We worry about the reaction of the public and the press to a policy, but not about the Tories," said an insider at 10 Downing Street, the prime minister's official residence.

It is true that many Conservatives on the opposition front bench in the House of Commons have a low profile. Journalists in the press gallery often receive more news releases in a day from the ambitious Peter Hain, a junior Welsh Office minister, than they get in a month from Sir Brian Mawhinney, the shadow home secretary.

At times journalists shudder in disbelief at the lack of effective opposition coming from the Conservative side. During the British Airways strike last summer, Labour feared the Conservatives would attempt to draw the government into the dispute. Instead there was virtual silence.

When Sir Winston Churchill, as Conservative prime minister, lost the 1945 election to Labour by a landslide, he supposedly told his party that a period of silence for two years might be appropriate. Some of the present Conservative team appear to be taking the advice very seriously.

A rough guide to political activity is offered by the FT Profile database, which records every time a word or name is mentioned in Britain's main national newspapers. Using this crude system, John Maples, Conservative health spokesman, has one of the highest anonymity ratings, scoring just 110 mentions in the past six months – a period in which the government published far-reaching proposals to reform the state health service.

Among the other main figures, John Redwood comes up 599 times. Mr Redwood, the party's chief trade spokesman, is the strong Eurosceptic who unsuccessfully challenged John Major for the party leadership two years ago. Peter Lilley, the Conservative shadow chancellor of the exchequer, scores 635. Gordon Brown, his opposite number in the Labour government, has been mentioned 5,434 times over the same period.

Conservative officials concede that the party has made a quiet start in opposition, but argue that it was a waste of time attacking a government in the first flush of a political honeymoon.

Many Conservative frontbenchers have shown little appetite for the fight, and William Hague, the party leader, is expected to clear out the dead wood in 1998, bringing in MPs with the energy needed in opposition.

But the low-key nature of Conservative opposition is not just about personalities – it is about the new structure of British politics. Mr Blair's allies admit that, for the next few years, the most potent criticism of government policy will come from the left and not from the right.

Mr Hague can criticise the presentation of policy, or accuse Labour of breaching manifesto pledges, but his party can hardly criticise the ideological thrust of policies such as welfare reform, lone parent benefit cuts or university tuition fees.

Which leaves the Liberal Democrats, the pro-European party which has scored some political hits by attacking benefit cuts, tuition fees and the squeeze on education and health spending. Although they have far fewer MPs than the Conservatives, they claim to be more effective than the Conservatives and want extra help from the taxpayer for research and support staff at Westminster.

But the Liberal Democrats are compromised by the delicate negotiations between Paddy Ashdown, the party leader, and Mr Blair on electoral reform for Westminster elections.

For the forseeable future at least, Mr Blair's most dangerous opposition could come from two sources which receive no assistance from the taxpayer: the media and his own increasingly restive backbench MPs.

George Parker

The silent minority: John Maples (top left) has managed to score only 110 mentions in the national press in the last six months; the Tories' star performer John Redwood (left) scored 599, but he was eclipsed by Gordon Brown (right), who notched up 5,434

Division over trade union call on unfair dismissal

By Robert Taylor in London

The government is divided over a demand from trade unions to reduce the two-year length of time that workers must be employed before they can claim financial compensation for unfair dismissal.

The prime minister's advisers are opposed to a cut in the current two-year legal requirement, introduced by the Conservatives 12 years ago. They believe it would be a burden on business and inhibit companies from recruiting more employees.

But the Department of Trade and Industry is more sympathetic to the case made by the Trades Union Congress and favours a reduction in the qualifying period from two years to one. Ian McCartney, the industry minister, has called on trade unions to provide convincing evidence that companies are abusing the law by dismissing employees shortly before the end of their qualifying period.

He is under pressure from Mr Blair's advisers not to include a commitment to reduce the qualifying period in the "fairness at work" policy paper he is preparing for the first half of next year. However, union leaders are making the qualifying period a test of the government's commitment to dealing fairly with workplace abuses.

The government may let the issue ride until a European Court of Justice decision expected by the spring. The issue was referred to the Luxembourg court by the House of Lords last March after decisions taken by an industrial tribunal and the Court of Appeal in a case involving Camden Law Centre in London. The House of Lords, the unelected upper house of parliament, can act as the UK's highest court of appeal.

This case challenged the qualifying period, arguing that it was indirectly discriminatory because more women than men were affected by it. The proportion of women affected by the two-year qualifying period at the time of the original claim was 7 per cent higher than the proportion of men affected.

Thousands of claims for compensation, dating back to 1985 when the European Union equal treatment directive was introduced, are awaiting the outcome of the Luxembourg judgment. "Employment rights should not depend on length of service," said John Monks, the TUC's general secretary. "If an employee thinks they have been unfairly treated, they should have recourse to an industrial tribunal."

Expansion expected by UK funds into France, Germany and the Netherlands

Management buy-out deals top $16.5bn

By Michael Peel in London

The value of management buy-outs and buy-ins increased by a third this year, according to Nottingham University researchers.

The Centre for Management Buy-out Research said total UK buy-out and buy-in activity topped £10bn ($16.5bn) for the first time, reflecting a record number of deals worth £100m or more.

However, there was a discrepancy between the centre's results and a report last week by KPMG Corporate Finance, which said that the total value of buy-out and buy-in transactions increased by 20 per cent this year to £7.14bn.

The difference arose partly because the two organisations differed on what constituted a management buy-out. The CMBOR included Nomura's £700m purchase of William Hill, the UK bookmaking business, from Brent Walker. Mike Stevens, UK head of management buy-out services for KPMG Corporate Finance, said: "I think you are stretching a point to call William Hill a management buy-out."

But Professor Brian Chiplin, director of the CMBOR, said the deal satisfied the centre's definition of a management buy-out. He suggested that the centre had taken greater account than KPMG of the large number of deals valued at less than £10m. "I guess we think we pick up more deals than they do," he said.

Both researchers agreed that the average value of buy-outs increased sharply this year. While the value of deals rose by £2.6bn to £10.4bn, the CMBOR said the number of transactions rose by only 3 per cent to 660.

The CMBOR this year valued 16 deals at more than £100m, compared with 10 last year, as venture capitalists snapped up divestments by leisure, healthcare and industrial groups.

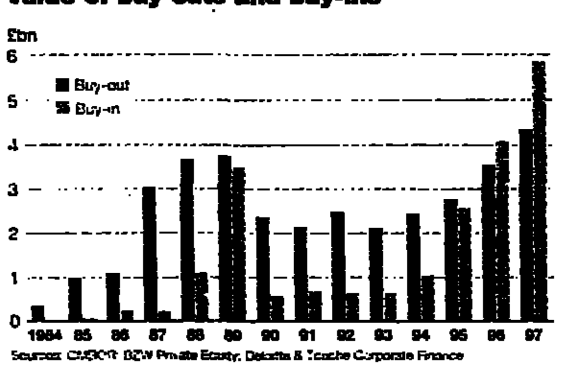
Prof Chiplin said he expected the trend towards "mega-deals" to continue next year. He said venture capitalists were also funding an increasing number of acquisitions by UK companies which had recently been bought out. "The buy-out market in the UK is pretty mature. This is just a new way for buy-outs to continue their life cycle."

Prof Chiplin predicted UK financial institutions would next year sharply increase their involvement in buy-outs in France, Germany and the Netherlands.

"The buy-out market in Europe is a lot less developed than in the UK but there are strong signs that it's increasing significantly," he said. "There is a lot of opportunity for UK funds because they raised a lot of money this year."

Lex, Page 10

Value of buy-outs and buy-ins



Sources: CMBOR/ BZW Private Equity, Deloitte & Touche Corporate Finance

Regional plan sparks local fears

By Alan Pike in London

Ministers will next month face their first public clash with the Labour-controlled Local Government Association as municipal leaders demand greater democratic accountability in the English regions.

The association is to campaign for amendments to the bill setting up nine English regional development agencies. It wants to make RDAs more answerable to regional chambers of councillors and other local interests.

"It is essential that RDAs are regional institutions rather than an arm of central government in the regions," said Sir Jeremy Beecham, Labour leader of the association. "They must be part of a move away from old-fashioned centralism."

Sir Jeremy said the association would soon approach ministers and MPs "in a bid to ensure a stronger, more effective voice for the English regions". The campaign has all-party support on the association.

Since the general election, John Prescott, the deputy prime minister, and his ministerial team at the Department of the Environment, Transport and the Regions, have been working to improve central government's relations with local government. Their proposals for RDAs have been broadly welcomed, but many councillors are concerned that the government as a whole may be insufficiently committed to replacing national organisations, answerable to ministers, with locally accountable bodies.

The government's RDA policy paper proposes that the agencies should "have regard" to views of regional chambers when preparing economic strategies, and consult chambers on corporate plans. Council leaders want this strengthened so that RDAs' economic development strategies and business plans have to be approved by chambers, with RDAs required to work within chambers' broad regional strategies.

A paper from the LGA to the House of Commons environment, transport and regions committee says that, without such changes, RDAs might be seen as arms of national government and would "not secure a more coherent, regionally responsive approach to regional economic policy and regeneration".

The government is expected to advertise for members of RDA boards soon.

This will generate another disagreement with the LGA. Local authorities will qualify for four of the 12 seats on each board. But the government says, to ensure continuity, individual councillors would not have to resign from RDA boards if they lost their local electoral mandate.

Curb on power stations eased

By Simon Holberton in London

The government has decided to permit the construction and operation of some new gas-fired power stations even though the use of gas for power generation is the subject of a wide-ranging energy policy inquiry.

The decision, which clarifies the scope of a temporary ban on fresh applications for gas-fired power stations, will come as a relief to developers who faced financial losses on projects brought to a point just short of official approval.

Margaret Beckett, the trade and industry secretary, said in a written House of Commons answer on December 22 that companies with existing government consents to build gas power stations could proceed. She also said she would deal with "reasoned requests" for exceptions to a temporary ban on new consents.

Mrs Beckett said that, in considering these requests, the government would be "mindful of the environmental and other benefits of CHP" – combined heat and power plants that achieve high efficiency through use of the heat created in electricity generation.

The review of energy policy was announced this month by Tony Blair, the prime minister, amid intense pressure from the coal industry to halt the advance of gas in power generation. The threat of mine closures by RJB Mining, the owner of most deep mines in England, was averted temporarily when the government pressured the big generators to buy more RJB coal.

Mrs Beckett said the review of long-term energy requirements would look at the medium-term and long-term scenarios for the development of generating capacity and sources of fuel. It would consider the implications of dependence on any particular fuel, source of supply, transport route or technology.

She said the review would "take as its starting point trends in energy sources for power generation, especially the growing dependence on gas, taking into account the energy policy objective of secure, diverse and sustainable supplies of energy at competitive prices and, in particular, the role of coal".

Mrs Beckett said the review would also consider technical factors surrounding the growing use of gas for power generation. National Grid, the owner of the high-voltage distribution network in England and Wales, has raised concerns that the system could become unstable if gas became too dominant. Gas produces 20 per cent of Britain's electricity. By 2000, the government expects it to be 36 per cent.

UK NEWS DIGEST

Call to ban tobacco exports

The government should take the same "ethical" approach to tobacco exports as it does to landmines, Professor George Alberti, the newly-elected president of the Royal College of Physicians, said yesterday. In an open letter to Robin Cook, the foreign secretary, Prof Alberti, whose college first highlighted the dangers of smoking more than 30 years ago, said the value of UK tobacco exports had more than doubled in the past decade, with more than half going to countries outside the European Union. He said they should be banned.

"Tobacco kills roughly half of all those who smoke and is thus as lethal as many of the military weapons the government is keen to prevent from being sold overseas," Prof Alberti said. "The ethical approach that you have adopted in relation to the export of military weapons, and particularly the landmines that cause so much injury and disability to innocent civilians, is something we wholeheartedly support. We suggest the same approach should be taken to tobacco exports."

He referred to an article by Dr John Britton, the chair of the college's smoking advisory committee, which warns that tobacco-related deaths worldwide are set to soar from 3m to 10m over the next 25 years, the vast majority occuring in the developing world and 30 per cent of them in China.

Those who have successfully fought to reduce smoking in the developed world "cannot in all conscience condone the export of the same product elsewhere," Dr Britton added. "The cigarette manufacturing industry needs to be closed down, not redirected to the export market."

Nicholas Timmins, London

■ INTERNATIONAL PHONE CALLS

BT to introduce business discount

British Telecommunications, the former state utility, is introducing a discount scheme for businesses which will bring the cost of a daytime call to the US down to 11.5 pence (19c) a minute – only a few pence above the best rates charged by BT's main rivals.

The scheme will be available from January 1 and is further evidence of BT's determination to defend its home territory as Europe's telecoms markets are opened to full competition. Designed for businesses which make many international calls, customers have to select 10 countries from a list of 30.

The scheme provides the best savings when combined with other BT discount plans.

Daytime calls to France, Germany or Holland could be 13.8 pence a minute while daytime calls to Japan could cost 32.7 pence.

Alan Cane, London

■ BUSINESS FAILURES

Falling figures allay fears

The number of businesses failing in Britain dropped sharply last year, allaying fears that the improvement of recent years was coming to an end. Some 36,368 businesses went to the wall during 1997, down 11.5 per cent from the previous year, according to Dun & Bradstreet, the business information group. This followed declines of 5 per cent in 1995 and 0.5 per cent in 1996.

Philip Mellor, senior analyst at D&B, said the figures were very significant. He noted that the number of failures had dropped markedly as the year had progressed, confounding expectations 12 months ago that the total for the year as a whole would remain above 40,000.

"Provided there is no substantial downturn in the economy, the country's annual tally of business casualties will be back to pre-recessionary levels by the millennium," he said. This year's fall was the fifth in succession and took the total to a seven-year low.

Robert Chote

■ HOUSE PRICES

Slowing of recovery expected

The rate of recovery in the housing market is expected to slow further during the next 12 months, in line with lower economic growth, according to separate forecasts by two of the UK's biggest mortgage lenders. Figures published yesterday by the Nationwide building society – a mutual savings and loans body – revealed that house prices rose at an annual rate of less than 8 per cent during the final quarter of this year, compared with more than 15 per cent during the previous three months. Halifax, the country's biggest mortgage lender, forecast that annual house price inflation would fall to 5 per cent next year from 6 per cent in 1997.

House prices were expected to rise by just 4 per cent in 1999.

Nationwide, which has reported a higher rate of house price recovery this year than most of its rivals, forecast that house price rises would slow to 7 per cent next year following a 12.6 per cent rise in 1997. The average price of a home had risen by just 0.8 per cent to £62,037 in December, according to the society.

Andrew Taylor

■ FAST FOOD RETAILING

Burger King to create 2,000 jobs

Burger King, owned by Diageo, said it plans to open 55 new outlets in the UK next year, generating up to 2,000 jobs, of which about 600 would be full time. Burger King opened 48 outlets in 1996 and 62 this year. The company employs 16,000 staff in the UK.

■ DRUGS ARRESTS

Four charged after heroin seizure

Four men were remanded in custody in London yesterday charged with importing heroin after Customs officers seized a £5.5m ($9.1m) haul of the drug. Jan Jisl, 34, a Czech, and Gungor Tekin, 44, Mustafa Mus, 34, and Yucel Konakli, 38, all from Turkey, were remanded by City of London magistrates.

About 70kg of heroin was found in north London yesterday in a minibus which had come from the port of Ramsgate to the east of London.

ARTS

Theatre in 1997/**Alastair Macaulay**

Sea-change in the state of play

Standing onstage at the Old Vic at 11pm on December 6, Peter Hall said "It's been the best year of my life." It was closing night for the Peter Hall Repertory Company's nine-month régime, and Hall spoke at length of how, with this company, he had simply wanted "to give the stage back to the actors". It was easy to see what he meant. Standing behind him was not only the cast of that night's *King Lear* but also actors who had been involved in all the company's other productions. Several of the *Lear* actors had also been in that day's matinee of *The Provok'd Wife*; three of them had been in *Waiting for Godot*, earlier in the week.

For nine months, Hall gave actors the fun of switching from this role to that: and gave audiences the fun of watching them. If you love theatre, you know that this is a very serious form of fun: both actors and audiences learn from the process. "Every production has got better," Hall observed; and he added that this does not always occur in other theatrical circumstances. I had seen two of the Old Vic productions more than once (Tom Cairns's staging of Caryl Churchill's *Cloud Nine*, and Hall's own account of *Waiting for Godot*), and am happy to confirm that they had indeed developed.

Hall grew more passionate. "This town is full of marvellous theatres that nobody knows what to do with, because they were built for *theatre*." He spoke with sorrow about the state of the Royal Opera House, and pointed out that, since the war, Covent Garden had become the home of a major opera company that simply had not existed before, and a major ballet company that had only begun life in 1931. You *need* your national, state-supported companies. "I am *for* the National Theatre, *for* the Royal Shakespeare Company, *for* the Royal Court ... If we didn't have those companies, our theatre would be as awful as New York's." However, he spoke of a crisis in each of our national companies: a crisis caused by a failure in artistic direction. That he felt he gave successful artistic direction to his own company was apparent, and he touched only lightly on the fact that his company had received no state funding. But the facts spoke for themselves: this was closing night.

In that same week, Stephen Daldry – departing artistic director of the Royal Court – also spoke in interview of the business of running a theatre company. Daldry has developed the Court very markedly – new writers, and new audiences – and has received considerable praise. So what did he say? "I wouldn't run a theatre again. Unless there's a sea-change in attitudes. The Arts Council has wiped out enthusiasm to run theatres. All the time you're on the defensive; all the time you're fighting."

1997 also saw the self-closure of Cheek by Jowl as a revenue-funded company. The reason? Again, the Arts Council. For several years now, Cheek by Jowl has been one of Britain's foremost cultural ambassadors abroad, and one of its most influential companies at home; but Declan Donnellan and Nick Ormerod, the company's artistic directors, have said in interview that the Arts Council was asking them, in return for renewed funding, to state their artistic plans for three years' hence – which is not a way that Donellan and Ormerod find congenial for work. The Arts Council only provided a small portion of Cheek by Jowl's revenue, but that portion covered the high costs of national touring. Now their company will tour no longer. Cheek by Jowl will continue, but henceforth only as a project-based company, starting afresh for each new production, with no continuity from one to the next.

I have never sensed so strongly the need for what Daldry calls a "sea-change" in this country's cultural policy. (And I have not mentioned the imminent closure of Greenwich Theatre and other important venues.) Certainly I will miss Hall's repertory company; the regions will miss Cheek by Jowl; and all Britain will start to miss some of the ways in which their influence has percolated through the larger fabric of our theatre.

True, the year brought its good news too. Not least at the Old Vic, where Hall's roster of actors included Ben Kingsley, Alan Howard, Felicity Kendall, Stephen Dillane, Alison Steadman, Denis Quilley, Michael Pennington, Julian Glover, Rupert Graves, Janine Duvitski, Victoria Hamilton, Elizabeth McGovern. *Cloud Nine* and *Godot* were outstanding productions, in which every member of the casts reached personal highs in their careers, and those of *The Seagull*, *King Lear*, *The Provok'd Wife* and others were on a very high level. It was a major pleasure to watch the interplay between Tim McInnerny and Andrew Woodall first in *Cloud Nine* and then, in radically different roles, in *The Provok'd Wife*; Marion Bailey, Clare Swinburne, Dominic West, Stephen Noonan gave first-rate performances in more productions than one; Greg Hicks lit up several contrasting roles with brilliance.

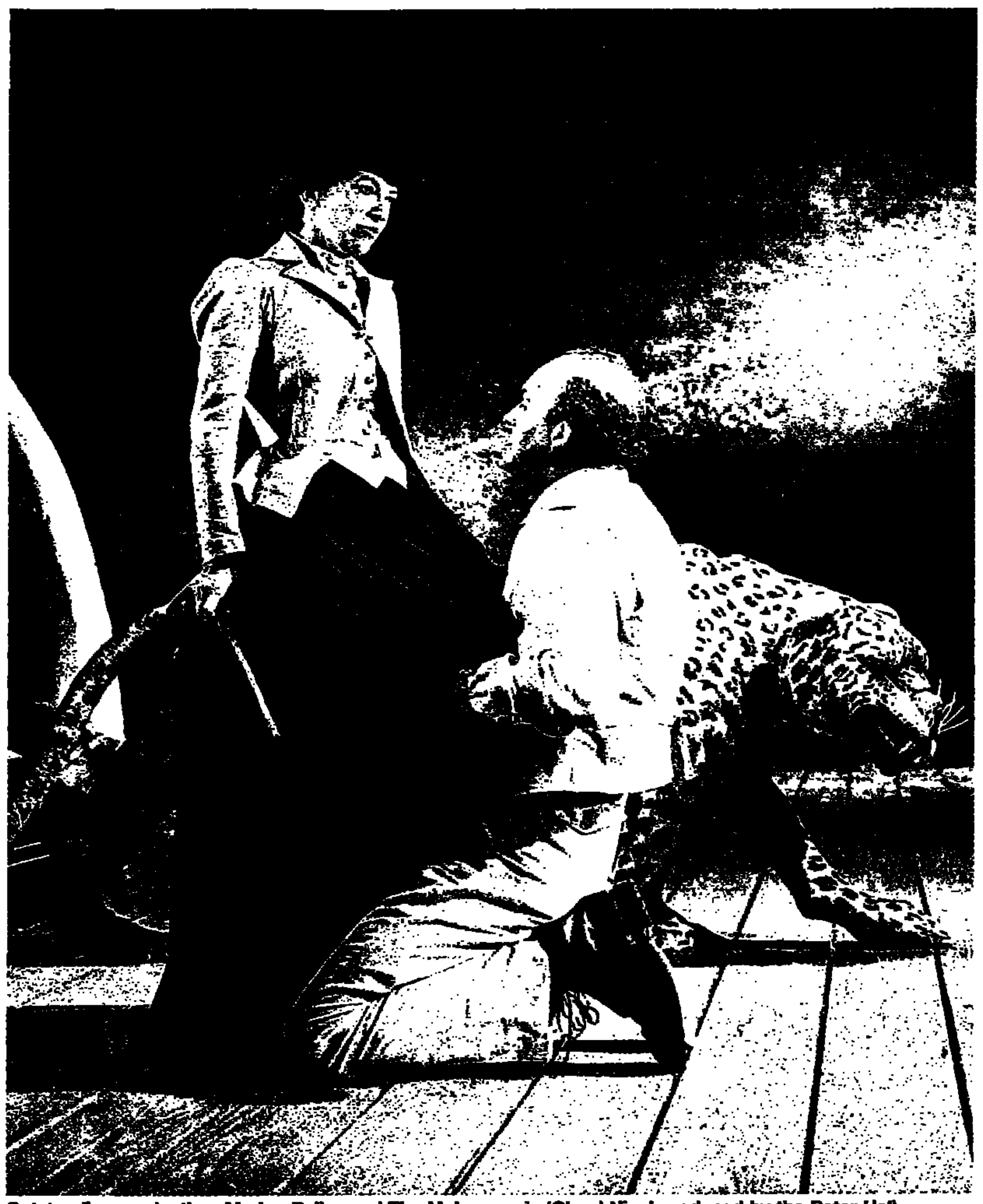
Just down the road at the Young Vic, another excellent company is emerging. Tim Supple's enthralling productions of *The Comedy of Errors* (which began life with the Royal Shakespeare Company) and *More Grimm Tales* used virtually the same group of actors, and created in each a superbly fresh ensemble between acting and Adrian Lee's music.

In 1997 as in 1996, *The Comedy of Errors* was the only first-rate Shakespeare production to have emerged from the Royal Shakespeare Company. There were other excellent Shakespeare stagings in Britain, but not at Stratford-upon-Avon or at the Barbican. Nor at Shakespeare's Globe: which spent its first full season in danger of turning its distinguished repertory into the summer equivalent of Christmas pantomime. It has yet to be proven whether tragedy or philosophy can flower at the Globe.

As for the RSC, it is becoming a fair-to-middling company, increasingly "accessible", with fewer peaks each season, fewer displays of artistic daring, and a few dismaying duds. I very much admired Gale Edwards's production of *The White Devil* (The Pit), and Katie Mitchell's of *The Creation* and of *Beckett Shorts* (both at The Other Place). Michael Attenborough's very simple account of *Romeo and Juliet* was the company's freshest Shakespeare; Adrian Noble's *Cymbeline* was a handsome account of the play, marred only by an artificial account of the central role of Imogen by Joanne Pearce. Several individual performances – Philip Voss as Shylock and Malvolio, Leslie Philips as Falstaff – lit up otherwise weak productions. It is fair to have hoped for more.

Nothing in our Shakespeare-based companies matched the National Theatre's two Shakespeare productions this year: Richard Eyre's production of *King Lear* (with Ian Holm in the title role) and Sam Mendes's of *Othello* (with Simon Russell Beale's exceptional Iago). Whether you looked for integrated ensemble or for top-level actorly interpretations, the National led the running this year.

It also led the running for new plays. I find Tom Stoppard's *The Invention of Love* to have been the major new play of the year, and it improved on a second viewing. Knowledge; criticism; erudition; memory; love ... the rich texture that Stoppard achieves out of these different mental activities is wonderful, and is beautifully placed amid an almost plotless work, a tragicomic recollection of a life which has not involved much living. David Hare's *Amy's View* – another tragicomedy, a Shavian exercise in which opposed human values are put on the scales within a single household – had faults that anybody could spot, but it gave Judi Dench one of her greatest roles, in which she addressed only the play's grand virtues; and, on a second viewing, the rest of the cast had ascended to her level of artistry. I look forward to seeing Patrick Marber's *Closer* a second time. This play's only serious fault is that it keeps on reaching an ending only to move on and start another ending, and then another; but the pacing, wit, and poignancy of Marber's dialogue are very exciting.



Outstanding production: Marion Bailey and Tim McInnerny in 'Cloud Nine' produced by the Peter Hall Repertory Company at the Old Vic

Alastair Muir

It is hard to enter the West End without tripping over an Irish play these days, but it is worth a try. The National gave us two dissimilar examples. Frank McGuinness's new *Mutabilitie* was a long sprawling historical muddle, whereas Martin McDonagh's *The Cripple of Inishmaan* was a synthetic exercise in manipulative comic melodrama. McDonagh, a skilled practitioner of his chosen style, also gave the Royal Court his *Leenane* trilogy, long before the end of which it was apparent that black comedy and synthetic melodrama are indeed his only suit. No thanks. The Irish play to catch was *The Weir*, by Conor McPherson, beautifully directed by Ian Rickson, in which this playwright's love of ghost stories adds up into something larger – into a moving sense of the quiet nothingness of provincial life. I have only to mention it to feel again the spell this cast in the theatre; and I will see it again, for the good news is that it returns to the Royal Court (now at the Theatre Downstairs) in February.

Other new plays? Ben Elton's *Popcorn* has had a great success in the West End, and Ayub Khan-Din's *East is East* enjoyed a sensationally successful run at the Royal Court Theatre Downstairs. Stephen Churchett's first play, *Tom & Clem*, led by splendid performances by Michael Gambon and Alec McCowen, ran for several months at the Aldwych, as did Peter Whelan's *The Herbal Bed* at the Duchess Theatre. Mark Ravenhill's *Shopping and Fucking* was another kind of sensation both at the Gielgud Theatre, on national tour, and abroad. Caryl Churchill's *Blue Heart* (a double bill of short plays at the Royal Court; Churchill had two other premieres this year) was the liveliest foray into experimental theatre, eloquent even about ineloquence. There may be more hope for new plays in the West End than seemed likely one or two years ago.

And there may be less hope for bad musicals. Andrew Lloyd Webber's *Sunset Boulevard* finally closed without covering its costs, *Martin Guerre* limps unprofitably on, and *The Goodbye Girl*, *Maddie*, and *Always* hit the dust with rapidity. However, the Disney *Beauty and the Beast* arrived and stayed put, as did the repulsive cynicism of the Kander & Ebb *Chicago*. The National's unstylish revival of the Weill musical *Lady in the Dark* received more acclaim that it deserved as either singing or acting.

As always, the best acting performances made one proud to be a Londoner. Let me mention again Ian Holm as an astonishingly spontaneous and direct King Lear; Judi Dench leading us through a spiritual voyage in *Amy's View*; John Wood as A.E. Housman looking back on life, thought, and love in *The Invention of Love*; Simon Russell Beale as a quickfire, modern, witty, bilious Iago; Philip Voss as a multifaceted Shylock, an alien amid the Christian city; Ben Kingsley, Alan Howard, Denis Quilley, and Greg Hicks playing *Godot* like chamber music. Let me also briefly list Alun Armstrong taking masterful charge of *The Front Page* (Donmar Warehouse), Lindsay Duncan quietly illumining the darkness of *The Homecoming* (National), Harriet Walter as another Jewish alien in *Ivanov* (Almeida), Eileen Atkins coolly handling the longer-than-long sentences of *A Delicate Balance* (Haymarket), Richard Briers trying with vivid comedy to keep up with the growing fantasy world of *The Chairs* (Royal Court). Just to say their names again seems an honour.

London was also lucky to see the movingly controlled, quiet acting of the Comédie-Française in Marivaux's *Les Fausses Confidences* (at the National). Too bad that London did not see Penelope Wilton awakening to life in Pinter's *A Kind of Alaska* (directed by Karel Reisz, a highlight of Dublin's Gate Theatre's Pinter Festival); her account of Hesione Hushabye in David Hare's production of Shaw's *Heartbreak House* (amid a marvellous ensemble production at the Almeida) showed a contrasting facet of this noble actress.

The other abiding pleasure of London theatregoing is repertory. I take it for granted that I could see, in one year, high-level stagings of plays by Webster, Vanburgh, Chekhov, Gogol, Shaw, Hecht and MacArthur, Beckett, Ionesco, Stoppard; I grumble that this year's Ibsen and Lorca offerings were not up to scratch. Where else but London could I behave with such arrogance? The day could yet come when we look back of theatregoing in the 1990s as a kind of haven. As A.E.H. says in *The Invention of Love*, "We are always living in somebody else's Golden Age".

Opera

Sci-fi set for Respighi in Rome

There are signs of renewal at the Rome Opera. The 1997-8 season opened impressively last month with Respighi's little-known *La fiamma*, but the real change is taking place behind the scenes, where the management is trying to shake off years of malpractice and accumulated debt. Sergio Escobar, the *sovrintendente*, is aiming to restore the Teatro dell'Opera to its former dignity by adopting market strategies, streamlining the bureaucracy and, if all goes well, setting up a charitable foundation for the house by 1999.

Escobar took up his post last season, after a career that included 11 years at La Scala and two at Italy's private television network, Fininvest. A believer in encouraging investments from the private sector, he is keen to stress that a "minimum" level of state funding must be maintained if the theatre is to maintain its independence, keep costs down and set prices that appeal to a broader public.

But the state subsidy, currently languishing £8m behind La Scala, is not enough to cover running costs. A more ear-catching title than *La fiamma* will have to feature on the programme, if it is to make an impression in a country where the winds of political renewal seem to be cutting off the lifelines of many state-dependent institutions.

A glance through the list of performances of *La fiamma* since its premiere at the Teatro dell'Opera in 1934 is enough to set suspicions racing. Of some 26 stagings, almost a third have taken place in Rome. In this latest production, with an Argentine director and singers with nationalities ranging from Russian to American, there was very little that could be called Italian. Even the music, a sorry cocktail of Wagnerian muscle and unmelodious Puccini, indicates that, while Respighi was eager to break the mould of Italian operatic tradition, he had not come anywhere near mastering the "unbridled" harmony of his German contemporaries.

In the leading role of Silvana, who discovers she has arcane powers in a 7th century Ravenna racked by superstition and witch-phobia, Nelly Miricioiu lived up to her reputation as one of the most versatile and technically secure voices on the Italian scene. Sadly, not even she managed to graft credible emotion onto Respighi's score. Gabriel Sadé was unconvincing as the seductive stepson for whom Silvana falls upon his return from Byzantium.

As Eudossia, the meddling mother-in-law, Mariana Pentcheva failed to convey the power and richness of her voice. Pentcheva's performances have been regularly praised since her Italian debut in 1991, so the blame for her stilted rendition may lie with the composer who, to underline Eudossia's religious leanings, based his harmonisation around fifth and octave intervals.

Despite having a condom thrown at him as his baton was poised for the overture, Gianluigi Gelmetti conducted with sensitivity and precision, particularly during the seduction scene at the end of the second act and the love scene at the start of the third. But the real star of the evening was Hugo De Ana's production, tinged with a welcome dose of magical realism. Ana opted for a sci-fi setting for the palaces and churches of Ravenna, placing the action in a series of desert-like scenes dominated by huge fragmented relics of Byzantine art. It gave the impression of being on another planet, with a gigantic globe suspended in the gloom like an alien moon.

Luciano Chianese

INTERNATIONAL
ARTS
GUIDE

■ AMSTERDAM

■ AMSTERDAM

EXHIBITIONS
Rijksmuseum
Tel: 31-20-673 2121
Medieval illustrated histories: the Hausbuch and its Master. Drawings, prints and a panel painting by the the Master of the Amsterdam Cabinet, including the 64 sheets of the Hausbuch; to Jan 18

Van Gogh Museum
Tel: 31-20-570 5200
Auguste Préault: (1809-1879) Romanticism in Bronze. 75 sculptures and medallions by the nonconformist whose works, during his lifetime, were regularly rejected by the Salon jury; to Jan 11

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Dialogues des Carmélites: by Poulenc. New production conducted by Yves Abel in a staging by Robert Carsen; Dec 30

■ BERLIN

CONCERTS
Philharmonie
Tel: 49-30-2548 8354
Berlin Philharmonic Orchestra: conducted by Claudio Abbado in works by Weber and Beethoven; Dec 30, 31

OPERA
Deutsche Oper
Tel: 49-30-34384-01
● Hänsel und Gretel: by Humperdinck. Conducted by Olaf Henzold in a staging by Andreas Homoki; Dec 30
● Le Nozze de Figaro: by Mozart. New production conducted by Christian Thielemann and staged by Götz Friedrich, with sets by Herbert Wernicke; Dec 31

■ CHICAGO

EXHIBITIONS
Art Institute Of Chicago
Tel: 1-312-443 3600
www.artic.edu
Renoir's Portraits: Impressions of an Age. Around 65 paintings spanning the artist's career, of subjects including Claude Monet and Madame Renoir. The show has been seen in Ottawa and will travel to Texas; to Jan 4

■ CLEVELAND

EXHIBITIONS
Cleveland Museum of Art
Tel: 1-216-421 7340
www.clemusart.com
When Silk Was Gold: Central Asian and Chinese Textiles. Featuring 64 precious textiles from the 8th to 15th centuries, when they were of immense economic and cultural significance. Including the most important known "cloth of gold". The exhibition will travel to New York; to Jan 4

■ LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
New Year Viennese Evenings: John Georgiadis conducts the London Symphony Orchestra in a programme including dances by the Strauss family; Dec 31; Jan 1, 2

DANCE
Royal Festival Hall
Tel: 44-171-928 8800
The Royal Ballet: programmes including Peter and the Wolf, Tales of Beatrix Potter and Les Patineurs; Dec 30, 31; Jan 1, 2, 3

Hayward Gallery
Tel: 44-171-261 0127
www.hayward-gallery.org.uk
Objects of Desire: The Modern Still Life: Exploring 20th century developments of a 400-year-old genre, this show ranges from Picasso and Matisse to Oldenburg and Warhol; previously seen in New York; to Jan 4

Tate Gallery
Tel: 44-171-887 8000
The Age of Rossetti, Burne-Jones and Watts: Symbolism in Britain 1860-1910. Works by British artists including the pre-Raphaelites Rossetti and Burne-Jones are presented alongside those of European contemporaries such as Redon and Moreau. The show aims to demonstrate the powerful influence of Symbolism on British artists; to Jan 4

OPERA
Shaftesbury Theatre
Tel: 44-171-379 5399
The Royal Opera: The Merry Widow, by Franz Lehár, in a new translation by Jeremy Sams. New production by Graham Vick, with designs by Richard Hudson; Dec 31; Jan 1, 2, 3

■ MILAN

DANCE
Teatro alla Scala
Tel: 39-2-88791
Giselle: with sets and costumes by Marie-Louise Ekman; Dec 31; Jan 3, 4

OPERA
Teatro alla Scala
Tel: 39-2-88791
Macbeth: by Verdi. Conducted by Philippe Auguin in a staging by Graham Vick, with designs by Maria Bjornson; Dec 30; Jan 2

■ NEW YORK

CONCERTS
Lincoln Center
Tel: 1-212-721 6500
www.lincolncenter.org
New York Philharmonic: New Year's Eve Gala. Programme of works by Tchaikovsky, Mussorgsky, Ravel and Bizet. Valery Gergiev conducts. Soloists include mezzo-soprano Olga Borodina, bass Samuel Ramey and pianist Alexander Toradze; Avery Fisher Hall; Dec 31

DANCE
New York City Ballet, New York State Theater
Tel: 1-212-870 5570
George Balanchine's The Nutcracker; Dec 30, 31; Jan 2, 3, 4

EXHIBITIONS
Brooklyn Museum of Art
Tel: 1-718-638 5000
Monet and the Mediterranean: "It is so beautiful here, so bright, so luminous! One swims in blue air; it is frightening!" wrote Monet from Cap d'Antibes in 1888. Bringing together more than 70 works, this exhibition presents the fruits of several journeys made by the painter: to the Italian and French Rivieras in the 1880s, to Venice in 1908; to Jan 4

Museum of Modern Art
Tel: 1-212-708 9480
www.moma.org
Egon Schiele: (1890-1918): The Leopold Collection, Vienna. Around 150 works by the Austrian Expressionist, dating from 1905 through 1918; to Jan 4

Pierpoint Morgan Library
Tel: 1-212-685 0008
● Cultural Curios: Literary and Historical Witnesses – relics of the great and the wise, including such oddities as Lewis Carroll's pocket watch and Voltaire's briefcase; to Jan 4
● Romanticism to Realism – 19th Century German Drawings: survey of 50 works from the collection, including drawings by Caspar David Friedrich and watercolours by Adolph Menzel; to Jan 4

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
Il Barbiere di Siviglia: by Rossini. Revival of a staging by John Cox; Dec 31; Jan 3

■ PARIS

EXHIBITIONS
Musée d'Art Moderne de la Ville de Paris
Tel: 33-1-5367 4000
Gilbert & George: major retrospective of the British artists, comprising some 120 works and spanning their career from their meeting at St. Martin's School of Art in 1968 to the "Fundamental Pictures" of last year; to Jan 4

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
La Traviata: by Verdi. Production directed by Jonathan Miller and conducted by James Conlon; Dec 30; Jan 1

Opéra National de Paris, Palais Garnier
Tel: 33-1-4343 9696
The Merry Widow: by Franz Lehár. Armin Jordan conducts a new production directed by Jorge Lavelli, with sets by Antonio Lagarto; Dec 31

■ ROME

OPERA
Teatro dell' Opera
Tel: 39-6-481601
www.themix.it
La Fiamma: by Respighi. This first production of the season is by Hugo De Ana, and is conducted by Gianluigi Gelmetti; Dec 30; Jan 2, 4

■ TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
Monday to Friday, Central European Time:

● **NBC Europe**
10.00: *European Money Wheel*
Nonstop live coverage until 15.00 of European business and the financial markets.
17.30: *Financial Times Business Tonight*

● **CNBC**
08.30: *Squawk Box*
10.00: *European Money Wheel*
18.00: *Financial Times Business Tonight*

Personal View · **Gerald Segal**

A dose of political reform

To recapture its economic success Asia must move towards liberal democracy

East Asia's economic fundamentals no longer seem robust. A large part of that problem lies with weak political fundamentals. As Asia's crisis turns into the most important economic event of the post-cold war period, it is essential to understand one thing: there will be no secure recovery unless there is political reform.

Asia has a paucity of robust, pluralist political systems with entrenched democratic institutions. Those now suffering economic woes have notoriously opaque, highly regulated and largely unaccountable political systems. Crony capitalism and inefficient financial systems flourish in such unreformed political environments.

Under certain conditions, it is true, political pluralism can actually hamper adjustment to the economic crisis. South Korea's electoral process clearly introduced a degree of uncertainty that was punished by the equity and currency markets. Autocratic Singapore and authoritarian China have, so far, weathered the crisis better than the more democratic South Korea or Thailand. On the other hand, perhaps the region's two most democratic countries, Taiwan and the Philippines, have been hit less hard.

As well as weak institutions, many Asian countries suffer from unresolved national identities, as in South Korea, Indonesia, and especially Malaysia, have serious identity crises because of resentment against powerful ethnic Chinese minorities. Extremists also build support along religious lines or against immigrant labour, as in Indonesia.

The result is distinctive patterns of democratic development and often weak and dangerously populist politics. In these uncertain democratic transitions, it is easy to see why authoritarian governments warn against the perils of democracy.

But if one stands back, the tide of history is with those who argue that economic development requires more pluralist and institutionalised democracy. In the short term, the case is made by markets which, for example, punished authoritarian Indonesia when the fragile health of President Suharto appeared to threaten one-family rule. In the longer term, any state that wants to prosper as a post-industrial, information and innovation economy must move towards becoming a more liberal democracy.

Democratic change comes in different forms and through varying mechanisms. In good economic times, it tends to emanate from the top down, as in Taiwan or South Korea. In bad economic times, democratic pressure tends to bubble from below through the unrest of the dispossessed or disadvantaged. In both good and bad times, there is sometimes pressure from the *international community* in the form of demands for trade liberalisation, better human rights or strict conditions attached to loans from the International Monetary Fund. In the coming years, east Asian governments will face demands for democracy from the bottom up and from the outside.

If east Asian countries want to continue to grow rich, they will have to accept some combination of the following five political reforms:

- The armed forces must take a less prominent role. This appears to have been achieved in South Korea and to have become more possible in Thailand. It is still an important concern in an Indonesia awaiting the succession to Mr Suharto.
- There needs to be a broadening of the range of business interests. Truly competitive economies require a multiplicity of vociferous economic actors. South Korea, Indonesia, Malaysia and Thailand are in need of such business-led pluralism. One of Taiwan's strengths is its broader base of business supporting diverse political interests.
- There must be a widening of the political forces outside the state that enhance civil society. There are healthy signs of a growing community of domestic non-governmental organisations in east Asia. Indonesia alone is said to have more than 10,000 NGOs. The news media in Jakarta are already remarkably free to criticise the regime, especially in comparison with Malaysia. It is hard to envisage real economic transparency and accountability without a powerfully nosy and noisy press. Thankfully, the trend throughout the region is towards greater press freedom.
- There is a growing need for more institutionalised pluralism. One of Indonesia's major weaknesses is its weak party and government structure. Even Malaysia has more robust institutions. South Korea, in comparison with Taiwan, relies far too much on crony connections instead of building independent and competing power structures.
- There ought to be more external pressure on individual Asian countries to keep up the pressure for reform. One of the more encouraging trends is the breakdown of the previous Asean norm of non-intervention. The triple embarrassment over Cambodia, the deadly pollution from Indonesian fires and the contagion effect of the economic crisis have ended the notion that east Asian states are political islands. The call by Anwar Ibrahim, Malaysia's deputy prime minister, for constructive intervention points to an acceptance of this reality, as does the agreement in Asean to use the Asian Development Bank to monitor economic conditions in individual states.

In spite of all such signs of political progress, it is important to recall that there is nothing inevitable about the process. Politics can often turn down dead-ends or make good governance more difficult in the short run. East Asian states are bound to have bouts of labour and ethnic unrest and weak governments will be severely tested.

But like the stalled economies of Latin America in the 1980s, east Asians are confronting that difficult stage of economic growth where the uncertainties of political pluralism must replace the limited certainties of autocracy.

The author is director of studies at the International Institute for Strategic Studies and director of the UK's Pacific Asia programme.

Family fortunes: Suharto is no model of open government

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com

Translation may be available for letters written in the main international languages.

IMF effectiveness already being assessed

From Mr Eduard Brau.

Sir, Denis Richard is correct in emphasising the importance of an effective evaluation of the overall performance of the International Monetary Fund, but he errs in not acknowledging the many internal and external evaluations already in train (Letters, December 19). The IMF's executive board – a body of 24 senior government representatives from the IMF's 182 member countries in permanent session in Washington – did consider establishing an independent evaluation department, but rejected it because of lack of agreement on its cost-effectiveness and on reporting relationships.

Mr Richard views the executive board as lacking the means to assess the work of the institution and of its staff. The board runs the institution on a day-to-day basis, makes all its important decisions, and has access to many sources of analysis and information other than the IMF staff. The idea that the board does not know what is going on is off the mark.

The board decided in 1996 to conduct a two-year experiment with external evaluations, for which it sets the terms of reference and appoints independent outside experts. The first such evaluation is virtually completed and concerns a review of the enhanced structural adjustment facility, the fund's concessional lending instrument for low-income countries.

It is being conducted by Mr Kwesi Botchwey (Harvard Institute for International Development, and formerly finance minister of Ghana) and Professors Paul Collier (Oxford University), Jan Willem Gunning (Free University of Amsterdam), and Koichi Hamada (Yale University).

The next important external evaluation under this experiment may well be a review of the effectiveness of IMF surveillance over the economic policies of member countries. At the end of the experimental period, the board will assess the experience with evaluation and decide on next steps.

Mr Richard is also wrong in denigrating the candid internal reviews of key operations conducted by IMF staff, which are often published. The 1995 Whittome report evaluating the Mexican crisis was not released publicly because the agreed ground rules called for confidentiality; however, its main conclusions were featured in the *IMF's 1995 annual report* (pp 45-46). Major reviews conducted by the office which I head are also made available to the executive board, not just to management, as Mr Richard claims. Quite apart from this evaluation work by staff and independent outside experts, the executive board itself conducts periodic reviews of all main IMF policies and actions, the results of which are reported in the IMF's annual reports.

Although the IMF makes mistakes, just as any other organisation, it surely does not shrink from debating its actions, learning from experience, and reviewing its effectiveness.

Eduard Brau,
director,
office of internal audit and inspection,
International Monetary Fund,
Washington, D.C., US

Russian-style loyalties a tricky matter

From Mr Mergen Mongush.

Sir, Though your article on the tribal loyalties of the Russian nouveaux-riches ("Mercedes nomenklatura", December 23) perfectly describes the trappings of wealth, such as luxurious cars, homes, and special passes, it fails to explain fully the loyalties, which are a tricky matter.

If someone devises an economically sound get-rich-quick scheme, he or she must team up with people who have the essential experience and training and, at the same time, whose loyalty to that person will be beyond suspicion. So a simple CV or old school tie won't do. Only the combination of the two makes a team a team, the loyalty to which is more than that of a tribe as it transcends all race, religious, language, or custom barriers. The core of any Russian company is a multinational bunch of former colleagues, university friends, or classmates diluted with a modest number of their relatives and, occasionally, old flames. A kind of ideology-free nomenklatura based on personal relations.

Mergen Mongush,
Ratnaya St., 8-1-118,
Moscow, 113628, Russia

Small business key to jobs in Indonesia

From Siddharth Deva.

Sir, "Alarm bells ringing as Indonesia's woes grow" (December 16) took me back to the early 1980s when Indonesia was undergoing a recession not dissimilar to its current predicament. Between 1980 and 1985, growth rates averaged 3.6 per cent while the Indonesian labour force rose at about 4 per cent per year. The economic slowdown affected nearly all parts of the economy, in particular mining, construction, trade and transport, but it did not lead to a decline in employment. In construction, manufacturing, trade and transport, employment rates in fact shot up, largely because of informal sector activities. Of the 11m in the working labour force in Indonesia in 1980-85, more than half were family workers (whereas in 1980 family workers accounted for only 18 per cent of the workforce). Unemployment was a luxury millions of Indonesians could not afford; they were forced to opt for under-employment.

Like the recession in the early 1980s, today's slowdown in Indonesia will also force children and older women to enter the labour market and it will lead to even higher rates of under-employment, especially in rural areas. The Indonesian economy simply has to create jobs to absorb an expanding labour supply. Therefore, it is essential that the International Monetary Fund encourage the Indonesian government to foster small businesses by removing policies which favour the conglomerates with close political ties. Public investment in infrastructure building and affordable housing, both of which are badly needed, will also create jobs, thereby reversing the growth of unemployment. Otherwise millions of Indonesians are doomed to lives of grinding poverty.

Siddharth Deva,
55 Wytham Street,
Oxford OX1 4TR, UK

Rather low for an all-time high

From Professor D.R. Myddelton.

Sir, Your report, "UK gilts hit an all-time high" (December 24) calls for comment. Looking at undated gilts, for example, the price of 2½ per cent consolidated stock (which Dalton issued at par in 1946) is now just under 40. So the stock has lost 60 per cent of its nominal value since then.

But the real position is far worse. The pound itself has lost more than 95 per cent of its purchasing power since 1946. This is true whether one uses the retail prices index or the gross domestic product deflator.

So in terms of constant pounds, "Dalton's" stock has lost at least 98 per cent of its purchasing power. After 50 years, less than one-fiftieth of its purchasing power is left.

How can this be described as "an all-time high"?

D.R. Myddelton,
professor of finance and accounting,
Cranfield School of Management,
Cranfield,
Bedford MK43 0AL, UK

Leyla Boulton on how environmentalists have updated their image, as well as their links with governments and business

Greens follow suit

BUSINESS TRIBES

Now that their quest to protect the environment has evolved from a batty sideshow into a mainstream issue for governments and big business, environmentalists have smartened up their act. Gone are the woolly jumpers and sandals. In their place are smart suits and ties.

Their new weapons are mobile phones, instead of the placards of old. Their relationship to traditional enemies in business and government is one of negotiation, not confrontation. Their habitat is mostly big cities, where the enemy can be *influenced – although* they remain fond of the countryside.

"It's a completely natural evolution," says Peter Melchett, the head of Greenpeace UK. "It's not enough simply to say there's something happening to the environment. You now have to say what needs to be done to solve the problems."

This helps explain why, just days after Greenpeace activists scaled a British Petroleum offshore rig to protest against new oil exploration this summer, Mr Melchett had dinner with John Browne, BP's chief executive.

Companies like BP are *now routinely acknowledged* by environmentalists as the best hope of delivering the technology needed to tackle problems such as global warming. True, Greenpeace (which thinks fossil fuels should be phased out) and BP (which does not) often have diametrically opposed views. But they have something in common too. They are both interested in technical solutions to mitigate the effects of fossil fuels on the earth's temperature.

If the tribe is forging a new relationship with business, its links with government are closer still. At the Kyoto conference on global warming this month, environmentalists helped government officials to hammer out the world's first treaty to curb the use of fossil fuels.

Dominique Voynet, who just a year ago headed France's Green party, actually represented her country as environment minister. Her plain two-piece suit was a far cry from the Parisian chic of more elegant cabinet colleagues. But a suit it was.

Another characteristic of new environmentalists is a high level of education to match that of the "enemy". Nick Mabey, the 30-year-old economist for the UK branch of the Worldwide Fund for *Nature, epitomises this* trend. A graduate of the Massachusetts Institute of Technology, he joined the pressure group from the London Business School.

"People don't expect you to have economic knowledge so you get hyper-patronised to begin with," he says. But once sparring partners realise they are dealing with a professional in their field, they are sometimes more open to persuasion.

"To be better dressed than they are" is also important, says Mr Mabey, a Kevin Costner lookalike in cufflinks. "It boosts your confidence and theirs if you don't appear in sandals as they expect."

> Environmentalists are certainly aware of the dangers of compromising the independence that has underpinned their popular appeal

The 1990s transformation of the environmentalist movement had its origins in the US with the Environmental Defense Fund. The group's founding motto in 1967 was "sue the bastards", a reference to its goal of forcing companies to improve their behaviour through lawsuits.

But very early on, says the group's chief, Fred Krupp, a 43-year-old lawyer with a penchant for double-breasted suits, the group saw that "the most powerful form of advocacy was offering alternative ways to get the results we need".

In 1990, Mr Krupp, a graduate of Yale and Michigan law school, set up a partnership with McDonalds (public enemy number one for some environmentalists) to help the fast-food chain cut down on wasteful packaging. This led the company to abandon, in the US at least, polystyrene packaging for hamburgers.

Lately, more and more environmentalists have embraced what Greenpeace calls "solutions campaigning". Under the influence of Thilo Bode, its German international director whose modernising efforts have been pilloried by disgruntled traditionalists, Greenpeace *this year spent* $1m (£600,000) developing the prototype of a car twice as fuel-efficient as conventional vehicles. The project was an expensive attempt to prove that car manufacturers are capable of producing more environmentally friendly cars faster than they admit.

Similarly, the Worldwide Fund for Nature has negotiated schemes with retailers to guarantee to consumers that specially certified fish and timber products have been produced sustainably. It is even discussing with industry executives a plan for labelling oil supplies produced in ways that minimise environmental damage.

Some companies use such alliances to boost their green credentials, particularly since environmentalist groups bring with them a flair for grabbing public attention unrivalled by many companies. "When it comes to abseiling down the front of your office building for the *Nine O'Clock News*, they have beaten us every time," said George Watkins, chairman of the UK subsidiary of Conoco, the US oil company. "We'd make a great team if only Greenpeace would behave itself."

Although Greenpeace has vowed to continue direct *action campaigns where* necessary, it has also offered to harness its campaigning muscle to develop businesses of which it approves. It has become the unofficial marketing arm for fledgling solar power companies, such as BP Solar. Greenpeace lobbies governments to subsidise solar companies, businesses to buy their products, and journalists to write about them.

But as the battle lines with business become blurred, does the tribe risk sowing the seeds of its own destruction? Environmentalists are certainly aware of the dangers of compromising the independence that has underpinned their popular appeal. "Our brand is too important to let people abuse it," says Mr Mabey.

Business executives too say they want to maintain clear boundaries setting them apart from campaigners. "It's a bit like dealing with a porcupine," says Claude Fussler, public affairs manager for the European subsidiary of Dow Chemical, the US multinational. "We need to get close but not too close."

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Tuesday December 30 1997

More deaths in Ulster

The spiral of sectarian violence began to uncoil again over the weekend in Northern Ireland. On Saturday Billy Wright, a Protestant extremist, was killed by fellow prisoners from the extreme nationalist Irish National Liberation Army inside the Maze prison. On Sunday his supporters retaliated by opening fire outside a hotel in County Tyrone. It was apparently mere chance that they killed a doorman who had himself served a life sentence for IRA murders rather than scores of Catholic teenagers enjoying a disco inside.

It is shocking that prisoners in a "high security" jail had firearms and were able to murder a fellow inmate. But calls for the resignation of Mo Mowlam, the Northern Ireland secretary, on this score are unjustified. Most of the concessions involved were made under her predecessors. More worrying are the implications for the ceasefire officially observed by both Republican and Loyalist paramilitaries, and above all for the chances of a political settlement.

Neither Mr Wright nor the INLA were parties to the ceasefire. Both were declared opponents of the talks process. Mr Wright had been threatened with "summary justice" by his own side for breaches of the ceasefire, while the INLA's relationship with the mainstream Republican movement from which it split in the 1970s have been equally stormy and violent. Theories of an IRA conspiracy, using the INLA to provoke polarisation of the two communities and a Unionist walk-out from the talks seem far-fetched.

But what is true is that lack of progress in the talks makes it easier for extremists on both sides to write them off and justify a return to violence. Ms Mowlam's problem is less her responsibility for security lapses than her identification with a policy of confidence-building measures aimed exclusively at paramilitaries. This seems to betray her own lack of confidence in non-violent political leaders, and therefore in the talks process itself.

Her priority is, it seems, to keep the paramilitaries involved in the talks, observing at least a theoretical ceasefire (even if that means explaining away a series of incidents that look uncomfortably like breaches of it). Instead, she should be seeking to share responsibility with mainstream leaders from both communities whom, if the government's timetable is meant seriously, she expects to be governing the province together within 12 months. If she really believes in that prospect, her response to the grave threat of the past few days should be to call an immediate meeting of all parties involved in the talks. She should then seek their agreement on measures to protect the public from violence while the talks continue.

Hanoi's choices

In choosing Le Ka Phieu as its new head, Vietnam's communist party seems to be signalling that its priority is to reinforce its own authority rather than risk radical economic reform. If so, it is making a mistake. Vietnam urgently needs robust reform of loss-making state enterprises and banks if growth prospects, essential for a stable society, are to be maintained.

It is not difficult to see why the party is nervous. Though Vietnam has escaped the worst ravages of the Asian currency crisis, growth has slowed sharply this year from the 9.3 per cent recorded in 1996. Contracted foreign investment has fallen 40 per cent, rice exporters are under pressure in the wake of the Thai baht devaluation, and there has been sporadic social unrest.

To deal with this, the party has picked a conservative with no experience of the West and a record of hostility towards capitalism. Admittedly its choice was limited. Vietnam's ageing hierarchy is short of charismatic figures who could take reform forward. Too many senior cadres benefit corruptly from the status quo, and have every incentive to oppose reforms which dilute their power.

But Vietnam cannot escape the consequences of inaction. Unlike China, which faces similar choices, it is not cushioned by a large current account balance of payments surplus, high foreign exchange reserves and a manageable foreign debt. Vietnam is struggling with a wholly unsustainable payments deficit of around 10 per cent of gross domestic product. That makes the right choices harder, but it also makes them more pressing.

So far Vietnam has stubbornly refused to recognise the extent of its problems. Multilateral institutions like the World Bank and International Monetary Fund have been trying to get the message across, but without success. Lingering war-guilt also seems to inhibit plain speaking by donors and makes them reluctant to cut aid commitments. Vietnam thus assumes it has a right to help. It must be made to understand that donor conditionality is all the more important now that governments have to assist larger countries whose troubles pose a systemic risk.

That leaves the hope that Mr Phieu may turn out more of a pragmatist than his record suggests. Then he would realise that in the short-term adjustment is inescapable and in the long term there can be no economic miracle without reform. The communist party may be obsessed with control but, if it cannot deliver credible prospects of higher living standards, its chances of retaining authority are limited anyway.

Transition woes

The Czech republic and Slovakia have enjoyed very differing fortunes since they split apart in the aftermath of the collapse of communism, not least in their attempts to join Nato and the European Union. The Czechs have been in the fast track to integration in western Europe. Their Slovak neighbours have been stuck in the slow lane because of their inability to develop a healthy democracy, in spite of relative economic success.

Yet it is apparent that they are both mired in remarkably similar structural problems. Their troubles stem from flawed economic and financial reforms, and the refusal of their political leaders to admit their mistakes, for which they may be belatedly punished by their electors at the polls in the coming year.

The downfall of Vaclav Klaus, the Czech prime minister, has brought the crisis in Prague into the open. The plight of Slovakia remains half-hidden. But time appears to be running out too for Vladimir Meciar, the nationalist Slovak leader. The recent collapse of the country's third-largest bank into forced administration is a clear warning of trouble to come.

Mr Klaus was initially praised for his clear commitment to market-based economic reforms. But belief in his prowess as a macro-economist blinded him to evidence of growing structural problems. In particular, his mass voucher privatisation programme has created as many difficulties as it has solved.

It formally transferred state assets into the hands of millions of ordinary citizens, but did little to improve corporate governance. Instead, it allowed the creation of poorly regulated investment funds, controlled by asset strippers, or by ill-supervised state-owned banks. As a result, Prague has failed to develop the sort of well regulated and efficient capital markets which have emerged in Poland and Hungary.

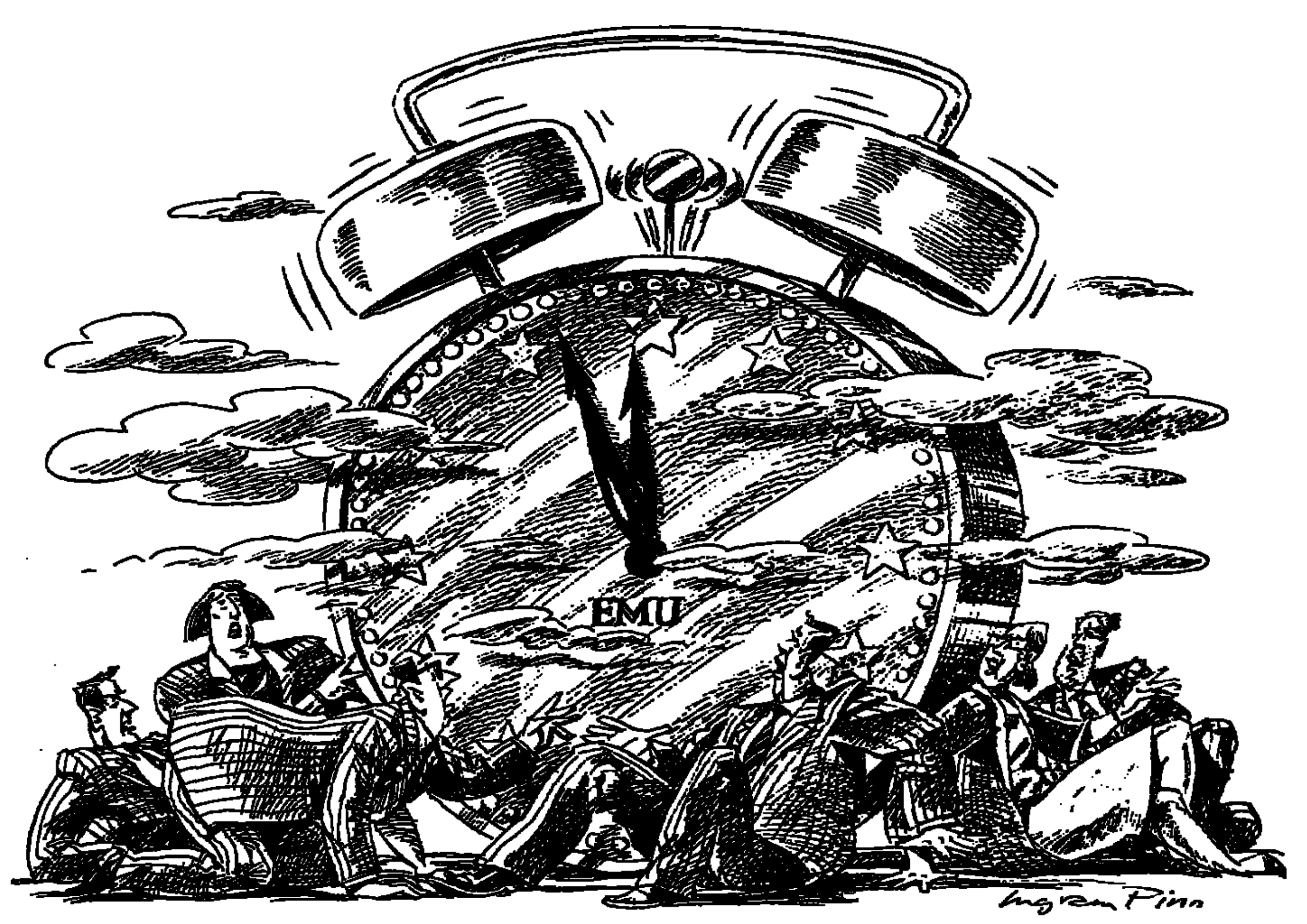
Slovakia is even further behind, its macroeconomic success of recent years built on fragile foundations. The sale of state assets to insiders has done little for restructuring, while the state-dominated banks are burdened by bad loans. Devaluation of the currency has been averted only by crippling real interest rates.

The failure in both countries to grasp the importance of effective capital market and banking regulation, and a refusal to deal with corruption in the system, have encouraged lax standards of political and financial behaviour. These problems need to be tackled energetically and quickly. If they are, then fresh capital and management will be attracted from abroad, from which both countries can only benefit.

97 *It was the year when . . . Europe woke up to Emu*

Point of no return

Emu went through many twists and turns in 1997, but the project is now more solid than ever, says **Lionel Barber**



This was the year when the world woke up to economic and monetary union, when the single currency moved from a distant dream to a virtual certainty.

There were plenty of heart-stopping moments along the way. Many more lie ahead. But Emu's launch on January 1 1999 looks assured. Europe's leaders have passed the point of no return.

So has big business. This year, European banks, insurance companies and industrial groups began preparing actively for the euro. They hired expensive computer staff, modified billing and payroll systems, and launched a wave of pan-European bids and mergers on a scale not seen since the launch of the single market a decade ago.

The corporate restructuring anticipated the competitive pressures that will arise from price transparency and capital mobility across the euro zone. It helped to make the single currency a reality. Not in the sense of euro coins jangling in the pockets of Mr and Mrs Euro-citizen; but by creating momentum towards monetary union that no one – not even the hawks in the Bundesbank – could stop.

Other forces transformed Emu's fortunes in 1997. By far the most important was economic recovery in the European Union. Renewed growth spelt higher tax revenues. Hard-pressed governments suddenly had a breathing space in which to meet the Maastricht budget deficit target of 3 per cent of gross domestic product needed to qualify for Emu membership.

By mid-October, the European Commission predicted that only Greece would miss the target this year, with three countries – the UK, Sweden and Denmark – likely to stay outside on political grounds. The Asian currency crisis could still shave predictions that the EU will grow at an average 3 per cent in 1998. But the word in Brussels is that Europe has enough self-generated growth to remain relatively unaffected by an external shock, barring a collapse in Japan.

The second favourable development has been a prolonged spell of record low interest rates in Germany, magnified by the weakness of the D-Mark against the dollar. Washington took a relaxed view, seeing the currency alignment as one of the few stimuli to growth in Europe. "If Emu goes ahead," says David Hale, chief economist of Zurich Kemper Investment, "they should put [US treasury secretary] Bob Rubin's head on the euro notes."

Third, Europe's leaders and central bankers learned the lessons of the "currency wars" of 1992-93 when they fought in vain to defend exchange-rate parities. The decisive move came last September in the spa town of Mondorf-les-Bains. EU finance ministers declared they would announce in May 1998 the rates at which individual currencies would enter Emu. Currency traders were put on notice not to second-guess the conversion rates between the selection of Emu founder members in May and the launch of the euro on January 1 1999.

Mondorf was confirmation that the politicians and the central bankers would hold their nerve. Whatever the public's own doubts about Emu or the calls for a postponement, particularly in Britain and Germany, the Emu timetable remained intact.

This was a tribute to the French and German governments which were determined to keep to the commitments under the 1992 Maastricht treaty. (They still have to agree on whether a Dutchman or a Frenchman should head the future European Central Bank.) It was also a testament to the skill of a handful of independent professionals in Brussels and Frankfurt who stuck to the script even when the chief actors occasionally forgot their lines.

Baron Alexandre Lamfalussy, who stepped down in mid-year as president of the European Monetary Institute, the forerunner of the ECB, played a central role. Known as the Holy Spirit hovering over the project, he earned the trust of politicians and central bank governors alike. Another unsung hero was Sir Nigel Wicks, the British chairman of the EU's secretive monetary committee, which prepared all the key meetings of EU finance ministers.

At times, the Emu show threatened to come off the road. The decision by Jacques Chirac, the French president, to call for early parliamentary elections in France still looks like the action of a desperate man out of touch with the mood of the public. For two fraught weeks, the unexpected victory of the Left threatened to provoke a crisis with the Germans over the Socialist-led government's commitment to fiscal discipline.

The stand-off ended at the Amsterdam summit. Lionel Jospin, France's prime minister, signed up to the stability pact enforcing budgetary discipline in return for vague assurances about growth and employment. This allowed the government to introduce extra measures to trim the 1997 deficit, which had threatened to spiral to more than 3.5 per cent.

The Franco-German confrontation pointed to underlying tensions within the Emu project, but it also showed that French policy towards monetary union had stayed consistent since François Mitterrand abandoned socialism in 1983. Occasional wavering aside, France's strategic objective of creating a European central bank to dismantle the Bundesbank's *de facto* power to set interest rates across the EU has always prevailed.

Germany's government, too, stuck to its long-term Emu goal. Helmut Kohl, the chancellor, declared solemnly that the alternative to the single currency was a collapse of the EU and the risk of renewed conflict in Europe.

By the spring of 1997, unemployment had risen above 4.5m, the highest since 1933. A slower-than-expected recovery was hurting tax revenues. Germany, once the model economy in Europe, had to admit that an extra effort was needed to meet the self-ordained target of 3 per cent.

In May, Theo Waigel, Germany's finance minister, flew by helicopter to Frankfurt with a plan to revalue the Bundesbank's gold and foreign exchange reserves. It was a defining moment. Operation Rheingold, as it was dubbed by critics, left Bonn open to charges that it was engaged in accounting gimmickry. It weakened Germany's case for keeping other countries, notably Italy, out of the first wave of Emu.

Yet the debacle over the gold reserves had a perversely positive result. Mr Waigel's manoeuvres – which surely had Mr Kohl's blessing – showed how desperate Bonn was to meet the Emu deficit target. The gold revaluation was postponed for 12 months, keeping the Bundesbank's honour intact. Mr Waigel kept his job, and German public opinion on Emu began to shift from sceptical opposition to passive resignation that the single currency was coming.

The Hamburg state elections in late September marked a final turning point. Henning Voscherau, the city mayor, ran an anti-Emu campaign that backfired. The Social Democrats suffered their worst defeat since the second world war. The result sapped the confidence of those in the SPD and the governing CDU-CSU coalition who were pressing for a delay.

The other battlefield was in Italy, where the centre-left Olive Tree coalition led by Romano Prodi was mounting a strong effort to meet the Maastricht deficit. In early February, the Financial Times revealed a plan to delay Italy's participation in the first wave of single currency countries. Uproar ensued. Traders sold off the lira, but by the end of the day the markets had staged a strong recovery.

The message was clear. As long as Mr Prodi could stay the course, he could expect the markets to give Italy the benefit of the doubt. The autumn crisis over pension reform met with astonishing calm. Although the government fell, Mr Prodi was back in power within a week – a recovery that may seal Italy's chances of being in the first wave.

The rest of the world has also begun to catch up with events in Europe. Larry Summers, deputy US treasury, gave a qualified blessing to Emu in testimony to Congress. Americans remain generally sceptical about whether Europe can stand the rigours of a single currency. But Mr Summers has given a clear sign that Washington believes Emu is coming. As with German unification, it has no intention of standing in the way.

The new Labour government in Britain has taken the same view. After much internal agonising, Labour has declared its intent to join the single currency – though not until after the next general election, due by 2002. Some have dismissed the qualified commitment as unnecessarily timid. But Tony Blair, the prime minister, insists he needs more time to turn round sceptical British public opinion.

As Mr Blair discovered at the EU summit in Luxembourg in December, the rest of the Union will not wait for Britain. On tax, employment, and budgetary policy, the trend is towards more intensive co-operation, especially among euro-zone countries. The Emu group will even form its own club. Outsiders can apply, but have no guaranteed seat at the table.

The post-Emu world is taking shape. No one can pretend they know exactly how it will work or what forces it will unleash. One peak is within sight, though others remain to be scaled. But that is another story.

· OBSERVER ·

Rhodes's collar

■ The sight of bankers scurrying between hastily convened meetings in New York yesterday to discuss how to prevent the financial crisis in South Korea from getting out of hand brought back memories of 15 years ago.

Then, Latin America was at the centre of the storm – and the scale of the potential losses was altogether larger and more life-threatening for the banks.

But some things don't change. One of them is Bill Rhodes, the Citicorp vice-chairman who led the banks through the discussions over re-scheduling the Latin debt. Rhodes has been in the driving seat again in recent days, other bankers involved in the talks say, pushing for an agreement that would give more time for Korean borrowers to repay their loans.

Rhodes has not been the host of this particular show: New York Fed president Bill McDonough brought the banks together yesterday then tried to retreat into the background, eager to preserve the impression that this is a private-sector effort. Also in evidence has been Ernie Stern, the former World Bank president and now J.P. Morgan managing director.

For US banks at least, there is not as much at stake as there was in the early 1980s. Perhaps that explains why some don't seem too happy at Rhodes's apparent attempts to dragoon them into a co-ordinated plan that would reduce their own room for manoeuvre.

The other big difference this time around is that investment banks like Goldman Sachs and Salomon Smith Barney were also invited to yesterday's meetings, at the insistence of the commercial banks. So who will come to the rescue – the commercial banks or the bond markets? And if Korea is saved, who will be able to claim the kudos this time around?

Left bank

■ As efforts to co-ordinate the financial rescue of Korea gather pace, each major country has chosen one bank to co-ordinate its response. Usually, the recipient of this dubious honour is the bank with the most loans outstanding to Korea, but not in France – the banking commission has asked Société Générale to take the leading role.

But France's biggest lender to Korea is Crédit Lyonnais. Perhaps the Paris banking supervisors felt that an institution in the throes of a rescue which might cost over $10bn isn't the most appropriate leader of discussions on restructuring bank debts.

Sharp manoeuvre

■ It hasn't been an easy year for Daimler-Benz, with the fiasco over the launch of its A-class cars and the delay in its Smart joint venture with SMH of Switzerland. But Jürgen Schrempp isn't going to let a few unstable motors spoil his New Year party.

In his initial review of business in 1997, the company chairman highlights "our rapid, customer-orientated responses" to the "challenges" as evidence that "we are more success-orientated and have become more efficient – a force to be reckoned with". There's nothing like subjecting your customer response system to the elk test.

Currying favour

L.M. Singhvi, whose record seven years as Indian high commissioner in London ends this month, could be followed by the shortest-serving envoy. Salman Haider's appointment is provoking undiplomatic noises in New Delhi.

Some say India's caretaker government shouldn't make such an important decision – particularly sensitive in the wake of the Queen's recent controversial visit – until after the spring election, when the decision may, in any case, still unravel.

Haider is a former foreign minister whose silken political skills – which saw him through tricky landmark talks with the Pakistanis in the summer – should equip him to handle the British Foreign Office.

At one of his countless goodbye parties, Singhvi spoke – characteristically at length – about the London-based Commonwealth Secretariat, signalling that he might like to be an "international civil servant". Secretary-general Chief Emeka Anyaoku, who has two years of his contract to run, was in the audience and, said a guest, "noted Singhvi's interest in his job".

Mr Motivator

■ Zoltan Medveczki, president of Hungary's Green party, isn't courting popularity among his rank and file. He is advertising in newspapers for parliamentary candidates in elections in May.

Why so? "We don't think our members are the wisest people in the country so we would like to give a chance to the most suitable candidates," explains Medveczki. The party, set up in 1989, has yet to win any of the 386 parliamentary seats. It may have to wait a while longer.

The Financial Times

100 years ago

Pneumatic Tyres
The prospectus of the Dunlop Pneumatic Tyre Company (France), issued in August last year, carefully avoided any estimate of probable profits, but a very large income was several times hinted at. It is rather disappointing, therefore, to find from the first report, now before us, that the twelvemonth's working permits of a dividend of only 4½ per cent per annum. It is stated that demand for the company's tyres has been unusually large, but prices have been cut "in view of the unsettled nature of the company's patents."

50 years ago

The Soviet Purge
Reports from different centres make it apparent that the drastic amputation of currency and credit in the Soviet Union was more generally expected than had been thought. For some weeks there had been buying of a panicky character, presumably by Russian nationals. What has caused surprise is, that in a police state like Russia, it should have been possible to escape the meshes of the political regimentation.

FINANCIAL TIMES

Tuesday December 30 1997

Rajiv's widow to fight for Congress party

By Amy Louise Kazmin in New Delhi and Krishna Guha in Bombay

Sonia Gandhi, the widow of Rajiv Gandhi, India's former prime minister, agreed yesterday to campaign for the country's Congress party in an apparent attempt to halt its fragmentation.

Mrs Gandhi's personal secretary said the Italian-born widow had "acceded" to a "unanimous request" from the Congress working committee to "campaign for the party at this difficult moment" in the run-up to the general election, likely to be held in February or March.

The move represents an effort to revitalise the party through an emotional link to the towering Nehru-Gandhi dynasty, whose founder, Jawaharlal Nehru, helped steer India to independence 50 years ago. Congress, which has endured the assassinations of Jawaharlal's daughter Indira and her son Rajiv, has dominated Indian politics for most of its independence.

Mrs Gandhi's announcement follows a spate of defections over the last week by Congress politicians, who have accused Sitaram Kesri, the party leader, of presiding over the destruction of the party.

In the past week the party has split in West Bengal, Orissa, Tamil Nadu and Karnataka – states where it had high hopes of winning seats.

V.N. Gadgil, a Congress spokesman, said Mrs Gandhi's decision will stem the exodus and bolster support for the ailing party. He said her decision might bring some of the alienated politicians back to the Congress fold. Several political defectors suggested they would return if Mrs Gandhi took control of the party.

"It will stop further defections," he said. "Nobody will go out of Congress. Some of those who already left, they might even come back."

Mr Kesri also said yesterday that he was delighted with Mrs Gandhi's decision.

Rajiv's widow has been an elusive figure who has cast a long shadow over Indian politics. Though she has never taken a public political role, many Congress politicians have looked to her for leadership and to revive the party's fading fortunes. Until now, however, she had preferred to remain behind the scenes.

Yet while Congress politicians have placed high value on her stock, analysts say the impact of her foray into the election campaign is far from certain.

"In three months' time, when the election results will be in, either she will be the next prime minister and the first foreign-born prime minister of India, or she will have been a myth that has been exploded," said Pran Chopra, a political analyst at New Delhi's Center for Policy Research.

Nut prices fall as new almond trees yield record crop

By Gary Mead in London

The introduction of hybrid almond trees is creating a global glut of the nuts. A record Californian crop – California accounts for about 75 per cent of the market – is expected to be declared tomorrow, further depressing low international prices.

The California Agricultural Statistics Service (Cass) is expected to announce a final crop total for 1997 of about 340m kg – against a forecast in June of almost 308m kg – substantially in excess of the record 334m kg of 1994.

The increased production is primarily due to the new trees, which require less space. Growers can pack more trees into fields and increase output considerably. Yields in California have increased from 398kg per acre in 1970 to more than 454kg now.

Prices for industrial almonds – the bulk of the crop and the type processed for confectionery – have meanwhile steadily slipped. The price is now about $350 per 100kg compared with $500 a year ago.

Prices for higher-grade almonds – those eaten whole – are down to about $450 per 100kg now from more than $600 last season. Traders believe that prices will fall even further, perhaps below the nadir of $275 per 100kg reached four years ago.

The surplus is likely to grow in the near future; Cass says that within two years Californian annual almond production levels will reach 430m kg.

Nut traders expect California to steal market share from competing almond producers around the Mediterranean, especially Italy, which produces around 14m kg annually. But they regard the outlook for prices as gloomy.

This is especially likely if California's main competitor, Spain, manages to recover production levels lost by successive years of drought. Spanish almond orchards are capable of producing more than 80m kg annually, but drought has reduced that to less than 60m kg.

Prices may also suffer as a result of what some nut traders believe is a growing willingness among confectioners to shun nuts in favour of other ingredients. "One of my main buyers recently told me that a trial [of a piece of confectionery] without nuts had been very successful," said one London-based trader.

Traders are awaiting the February blossom on California's almond trees. "If that's good – and the early signs are that it will be very good – 1998 will be another bumper year, and prices will go down even further," said one.

Hardline general to take over as Vietnamese leader

By Jeremy Grant in Hanoi

Vietnam's ruling communist party yesterday appointed a hardline ideologue from its military flank to the country's top job, resolving a protracted leadership crisis but ending hopes for decisive steps to stall economic decline.

Gen Le Kha Phieu, an obscure figure who last year predicted capitalism would be replaced, is to succeed 80-year-old Do Muoi as party general secretary.

Four other new faces were drafted into the ruling 18-member politburo, edging out a former president, and the reformist prime minister Vo Van Kiet, ageing revolutionaries who remain "advisers" to the party, along with Mr Muoi.

The switch comes as Hanoi faces its most serious economic downturn since it first embraced tentative economic reforms over a decade ago. Foreign investment pledges are 40 per cent down from a year ago, exports have taken a battering due to regional devaluations and the banking sector is in tatters.

Multilateral agencies have urged speedy action to avert economic crisis in the wake of Asian financial turmoil.

But the appointment of Mr Phieu indicates that the leadership is clinging to a gradualist approach to reform that could steer Vietnam towards financial crisis, observers say.

Little is known about Mr Phieu's views towards foreign investment and trade liberalisation, issues that are likely to dominate Hanoi's dealings with the outside world in the short term.

Until his appearance in a news broadcast last night, few Vietnamese – let alone foreign businessmen – would have been able to recognise him.

His rise to prominence marks a victory for party stalwarts who see closer ties between the party and the army as a way of ensuring the Communist party's survival.

Unnerved by peasant revolts sparked by declining rice prices, corruption and a widening gap between urban rich and rural poor, they favour increased control.

Reformers recognise that maintaining legitimacy will depend on continued economic growth, but vested interests which have benefited from recent reforms are resisting change.

Editorial comment, Page 9

Packard Bell NEC job cuts

Continued from Page 1

Shimbun, the Japanese business daily, the number of job losses to be announced at Packard Bell NEC is 1,000. This month AST, the US-based PC-making unit of Samsung in South Korea, announced it was responding to a decline in market share by cutting more than one-third of its workforce.

Packard Bell NEC's US shipments declined by more than 7 per cent in the third quarter, according to International Data Corporation, while competitors' sales grew rapidly.

Packard Bell NEC is the product of the merger in 1996 of the global operations of NEC and Packard Bell, a low-cost maker of PCs based in the US but founded by Israeli citizens.

Groupe Bull, the French conglomerate, took a 13 per cent stake in the group after agreeing, as part of the most recent restructuring, to guarantee a $20m investment in the joint venture.

After its latest injection, which takes NEC's total investment to $1.3bn, the Japanese company has three seats on the joint venture's board, with four from the original US company and two from Bull.

Iran opens Caspian link

Continued from Page 1

move gas from eastern Turkmenistan to Turkey, via Iran.

The pipeline to Iran is also politically important for Turkmenistan, which has seen its export revenues plummet since last March when it cut off gas exports to Russia, Ukraine and other former Soviet republics in a dispute about gas prices.

The pipeline will produce only limited hard currency for Ashkabad in its early years, because the country must first pay off the Iranian loan.

THE LEX COLUMN

Hollow hostilities

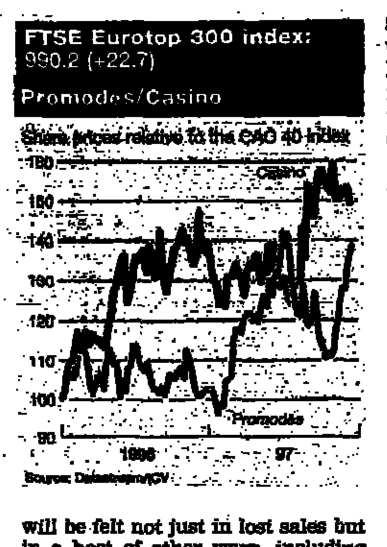
It comes as little surprise that Promodès, the French supermarket group, has dropped its hostile bid for Casino. Ever since Rallye, Casino's protective shareholder, raised its voting stake to 42 per cent, the mountain has looked unclimbable. But as one person – Jean-Charles Naouri, Rallye's controlling shareholder – held the key, why did Promodès not square the offer with him first? Be that as it may, it has gained a couple of points by going hostile.

First, it discovered that the other large minority holding, that of the Guichard family, was shakeable. Nearly a third of the family members would not commit themselves to Casino. Second, Promodès achieved a co-operation agreement with its target. Some of the specifics, such as joint efforts outside France, look unexciting. But if it heralds a domestic tryst that shares costs or – bad news for consumers – limits competition, this would be a bigger prize. As with the carve-up of interests by rival German and Italian bidders for the French insurer AGF, the outcome favours the companies and their incumbents; independent shareholders lose out.

The bid's abandonment shows the limits to industrial restructuring by takeover in France. Even the predator has a two-tier ownership structure that piles voting rights on to one set of shareholders. Legal changes are needed to promote equal treatment of investors. The other barrier, family shareholdings, remains common but the dispersal of founders' stakes is eroding it. But what of the takeover carrots, notably boosting profits by cost-cutting? Here too, the barriers remain high. Promodès' bid provoked such protests in Casino's home town that the aggressor found itself promising it would not make the very cuts needed to justify paying a premium. Plus ça change...

FTSE Eurotop 300 index: 990.2 (+22.7)

Promodes/Casino



Source: Datastream/ICV

Daimler-Benz

After the bungled launch of its A-class and Smart cars, Daimler-Benz has turned in an impressive trading statement that calmed the nerves of ruffled investors. It would be wrong, however, to assume all is well quite yet. While the company made much of a growth in group sales of nearly 20 per cent, little detail was given of the trifling matter of earnings. The full impact of the A-class's recall – the Smart problem will affect 1998 results – will be felt not just in lost sales but in a host of other ways, including recalling the original car, re-designing it and re-marketing it. And the longer term impact on Mercedes' premium pricing is unknown.

That said, all divisions being at least profitable in 1997 is cause for celebration. Despite a likely stronger showing from the commercial vehicles division, real value creation is probably still to come. Nor should rare profits at Dasa tempt Daimler to regard it as a core business.

Management buy-outs

With 1997 a record year for management buy-outs and buy-ins, the UK private equity market reeks of machismo. Recent large fund raisings and the consequently greater capacity for leverage have given venture capital houses over £50bn ($85bn) to play with in 1998. But in the increasingly crowded UK market, prices have soared, often regardless of the genuine value that can be added to the businesses. And elaborate financing structures – such as backloading interest payments and paying dividends out of exit proceeds – have helped to increase gearing to near 1980s levels. Alarm bells should be ringing.

The outlook for the two main factors driving high returns from buy-out funds – falling interest rates and rising price/earnings multiples – is uncertain. So even a flight to quality, through fewer and much larger deals, will be risky. Cinven's likely capture of IPC from under the nose of innumerable trade bidders is a case in point. Although the consumer magazines business is highly cash generative and stable, outbidding powerful trade players like Bertelsmann and Emap remains a gamble. However motivated by their equity stakes, without significant synergies a Cinven/IPC team's chances of generating better returns from the already high margin business would not be strong. And to gamble on rising price/earnings ratios to ease the exit three or four years down the road would be foolish.

Unsurprisingly, investors are looking for less competitive targets in continental Europe. A cyclical downturn looks further away than in the UK and the dismantling of vast state holding companies such as Sepi and Iri should throw up attractive opportunities. But potential pitfalls abound there too. Cultural differences need to be overcome. Proper due diligence can be tough. Less developed stock markets make it harder to exit from investments and restructuring costs are higher. All in all, investors should watch closely where this £50bn goes.

UK economy

It is impossible to ignore the shopping anecdotes, but the trend in wage rises is more unsettling for the economic outlook. That retail optimism ebbed in mid-December was hardly surprising, given aggressive sales targets. Its resurgence in the form of a last-minute rush – as confirmed by Goldsmiths and Littlewoods yesterday – and manic sales behaviour is also no surprise. Sure, there will have been winners and losers, and they will purvey the usual mixed signals in their January trading statements.

But forget the shopping: most ominous are wage rises above the inflation rate. In services the average rise was 4.4 per cent in the three months to November. But even among manufacturers, cramped by sterling, there have been some 4 per cent-plus rises. Couple this with evidence of skills shortages, and it becomes clear what will weigh most heavily on the Bank of England's monetary policy committee. It is expected to raise base interest rates by a further quarter point, to 7.5 per cent, this winter. The trouble is that it is rate rises, translated into a 26 per cent increase in mortgage interest payments, that have helped stoke up the wage demands. Employers wishing to combat this trend should point to the expectation that rates will fall in the latter half of 1998.

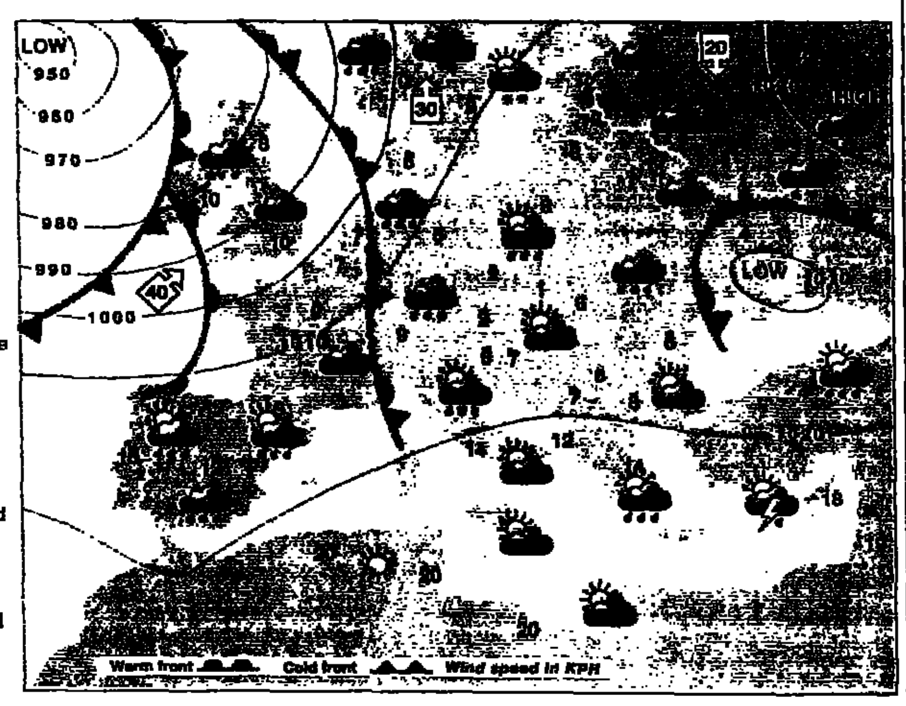
FT WEATHER GUIDE

Europe today

Southern Norway and southern Sweden will have heavy rain. Elsewhere in Scandinavia it will be mostly cloudy with snow at times. The Low Countries, Germany, Austria, Switzerland and France will be mostly cloudy with outbreaks of rain. Spain and Portugal will have a lot of cloud and only limited sunshine, with showers in many parts. Italy will have a dry morning with some sun but there will be an increasing risk of showers during the afternoon. The eastern Mediterranean will have showers, some of them heavy and thundery. Eastern Europe will be cloudy with much rain and snow.

Five-day forecast

The New Year will have an unsettled start. Atlantic fronts will continue to sweep across western Europe and into eastern Europe. The fronts will bring showers to the western Mediterranean but eastern parts will be drier.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum Celsius										
		Beijing	Sun 3	Cardiff	Rain 11	Frankfurt	Rain 4	Madrid	Cloudy 12	Rangoon	Sun 32
		Belfast	Rain 10	Casablanca	Fair 20	Geneva	Rain 8	Majorca	Cloudy 17	Reykjavik	Rain 7
Abu Dhabi	Sun 25	Belgrade	Fair 8	Chicago	Snow -3	Gibraltar	Thunder 16	Malta	Fair 16	Rio	Thunder 32
Accra	Sun 30	Berlin	Shower 5	Cologne	Shower 6	Glasgow	Rain 9	Manchester	Rain 11	Rome	Shower 14
Algiers	Fair 20	Bermuda	Fair 25	Dakar	Sun 27	Hamburg	Shower 8	Manila	Thunder 29	S. Frsco	Fair 16
Amsterdam	Cloudy 7	Bogota	Thunder 21	Dallas	Sun 14	Helsinki	Snow -2	Melbourne	Fair 23	Seoul	Fair 3
Athens	Fair 14	Bombay	Sun 31	Delhi	Sun 18	Hong Kong	Shower 22	Mexico City	Sun 23	Singapore	Thunder 31
Atlanta	Fair 9	Brussels	Drzzl 8	Dubai	Sun 25	Honolulu	Sun 27	Miami	Fair 20	Stockholm	Sleet 2
B. Aires	Sun 28	Budapest	Fair 4	Dublin	Rain 10	Istanbul	Shower 9	Milan	Shower 7	Strasbourg	Shower 4
B.ham	Rain 9	C.hagen	Drzzl 5	Dubrovnik	Fair 12	Jakarta	Thunder 32	Montreal	Snow -3	Sydney	Sun 26
Bangkok	Sun 34	Cairo	Sun 21	Edinburgh	Rain 9	Jersey	Shower 13	Moscow	Snow 2	Tangier	Shower 19
Barcelona	Rain 15	Caracas	Sun 30	Faro	Fair 18	Johannesburg	Shower 27	Munich	Fair 4	Tel Aviv	Shower 19
						Karachi	Sun 29	Nairobi	Thunder 24	Tokyo	Shower 13
						Kuwait	Fair 18	Naples	Fair 15	Toronto	Snow -8
						L. Angeles	Sun 26	Nassau	Sun 23	Vancouver	Rain 9
						Las Palmas	Cloudy 23	New York	Rain 7	Venice	Fair 8
						Lima	Shower 26	Nice	Rain 11	Vienna	Fair 4
						Lisbon	Fair 15	Nicosia	Shower 18	Warsaw	Snow 1
						London	Drzzl 10	Oslo	Snow 0	Washington	Rain 6
						Lux.bourg	Rain 4	Paris	Rain 9	Wellington	Fair 16
						Lyon	Cloudy 8	Perth	Sun 34	Winnipeg	Snow -11
						Madeira	Shower 19	Prague	Cloudy 3	Zurich	Fair 4

FINANCIAL TIMES
COMPANIES & MARKETS

 Tuesday December 30 1997 Week 53

INSIDE

Green light for UniChem merger

Shareholders of UniChem, the UK wholesale and retail pharmaceuticals group, have approved the group's merger with Alliance Sante of Italy. Alliance UniChem, as the combined healthcare group will be known, will have annual sales of almost £5bn ($8.25bn) and rival *Germany's Gehe in the European market.* Dealings in the shares of the enlarged group – to be chaired by Kenneth Clarke (above), the former chancellor of the exchequer – will start today. Page 13

Ukraine moves to reform agriculture
Ukrainian authorities are contemplating a bold reform that may restore the country's status as an agricultural powerhouse. Grain production has fallen sharply since Ukraine's independence in 1991, countering expectations that it would quickly become a leading grain exporter after the break-up of the Soviet Union. Page 16

Latin America toasts a boom year
Latin America's economies have had their best year for two decades. Five of the region's leading economies grew at more than 6 per cent in 1997, and the weighted average inflation rate among the seven leading economies was about 8 per cent – the lowest in 50 years. Page 26

Indonesia bans exports of palm oil
Indonesia has banned exports of crude palm oil for the first quarter of 1998 to safeguard its domestic supplies. The move will slow the development of what was a rapidly growing earner of export revenue. Page 16

Companies in this issue

Market Statistics http://www.FT.com

CROSSWORD, Page 16

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
Escada	285	+	19	Faiveley	180	+	15
Hertitz Intl	162	+	11	Fortner	678	+	80
Praktiker	23.2	+	2.2	Locda	75.2	+	7.7
Falls				**Falls**			
Ahlers NV Prf	430	–	18	Eaux Mais Vichy	2775	–	420
Bremer Woll-K	153.5	–	6.5	Epd Empain	63.05	–	46.95
Strabag NV Prf	120	–	10	Wanlas SA	44.3	–	4.7
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Computer Assoc	51⅞	+	3⅞	Chuetsu	125	+	23
Morgan Stn Fd	12⅞	+	2⅝	Daito Seiko	265	+	85
Timberland A	56⅝	+	4⅝	Jono Twisting	95	+	24
Falls				**Falls**			
ASA	20⅞	–	1⅛	Carolina	57	–	24
Asia Satellite	16⅞	–	3⅜	Nippon Lace	35	–	30
Pohang Iron	16⅞	–	1⅞	Teijin Seiki	330	–	123
LONDON (Pence)				**HONG KONG (HK$)**			
Rises				**Rises**			
Abacus Rcrt	327½	+	67½	Cathay Pac Air	5.90	+	0.15
Ind Parts	134½	+	20½	New World Dev	26.10	+	1.05
Reflec	16½	+	7	Sth Ch Mn Post	5.70	+	0.55
Sun Life	445	+	29	**Falls**			
Falls				Cosco Pacific	8.05	–	0.15
Elec Retail	245	–	12½	Harbour Centre	6.55	–	0.45
Select Appls	585	–	38	Wharf Hldgs	16.55	–	0.55
TORONTO (C$)				**BANGKOK (Baht)**			
Rises				**Rises**			
D and Y Prop	9.4	+	1.1	Bangkok Agro	90	+	19
Schneider	25	+	2	Hemaraj L&D	51.0	+	9.5
Sudbury Contac	6	+	1	Thantawan	48	+	11
Falls				**Falls**			
Allelix Bio	10.80	–	0.85	Rockworth Pub	19.25	–	8.25
Biochem Pharm	30.25	–	1.75	Safari World	15	–	5
Tel NT	18	–	1	Serm Suk	240	–	36

New York and Toronto prices at 12:30.

Promodès drops hostile bid for Casino

French retailers to co-operate in overseas business

By David Owen in Paris

Another French hostile takeover bid fell by the wayside yesterday when Promodès and Casino, the rival retailers, announced a deal to co-operate in international business.

Promodès has agreed, in effect, to drop a hostile FFr31bn ($5.19bn) offer for Casino, which began a flurry of corporate activity in the traditionally cosy French market when it was launched in September.

Casino has decided to join its rival's international non-food purchasing operation from January 1 1998. The two sides will also join forces to accelerate development in a number of international markets.

Promodès is to take a 50 per cent stake in Casino's Polish hypermarket unit, while Casino is to be offered a similar stake in a Promodès subsidiary in a country where "hypermarkets are new and have strong development potential".

The two sides spoke of establishing "harmonious and fruitful relations" and indicated the deal could be a basis for more long-term development.

Promodès's abandonment of an offer that would have created the largest retail group in the French domestic market means the aggressors have been thwarted in all three of this autumn's battles for control of big French companies.

François Pinault, the French financier, abandoned his attempts to buy Worms & Compagnie, the financial and industrial conglomerate, in October.

This month, Assicurazioni Generali, the Italian insurer, similarly agreed to abandon its FFr55bn hostile bid for AGF, its French rival, in return for control of other insurance entities.

Yesterday's agreement, which removes the prospect of the outcome being decided in the French courts, was widely interpreted as a victory for Jean-Charles Naouri, the French financier, whose control of Casino looks set to be cemented as a result.

Nevertheless, Promodès shares rose strongly on the Paris stock market to close up FFr105, or 4.3 per cent, at FFr2,519.

Shares of both Casino and Rallye, the holding company that controls more than 40 per cent of Casino's voting rights, were suspended. Mr Naouri is Rallye's principal shareholder with more than 75 per cent of the capital.

Freddie George, a London-based food retail analyst with Paribas, said yesterday's developments were "not a complete disaster area for Promodès".

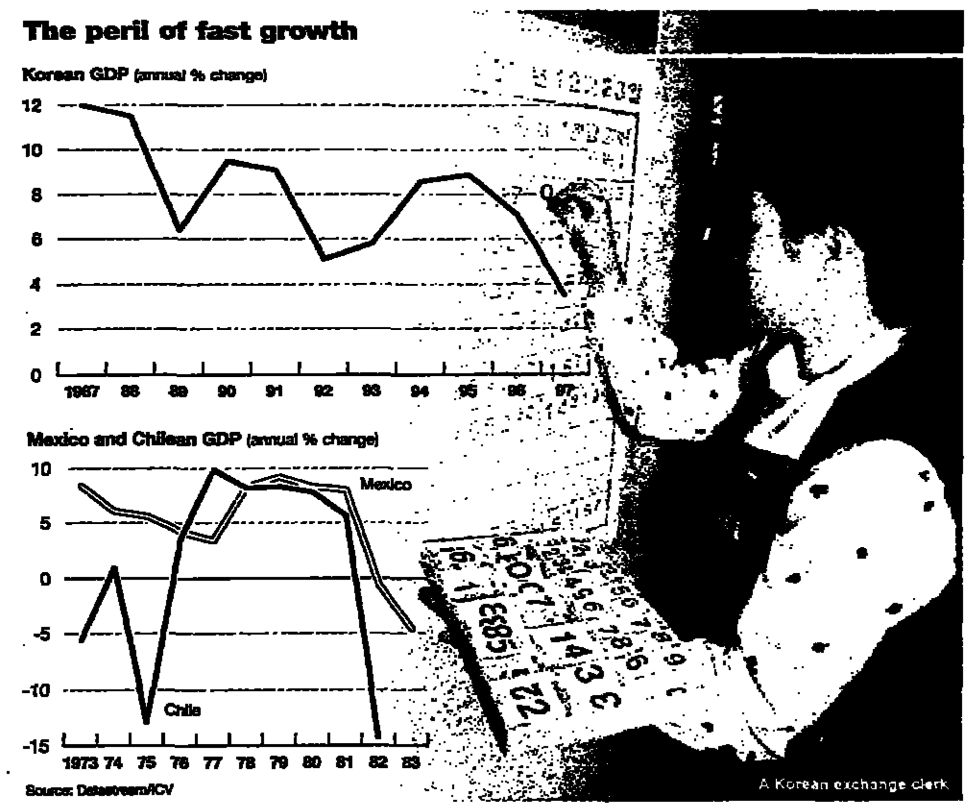
He said: "When Casino wants to sell, they will be there. It will be a question of how much and when."

Other analysts were disappointed the outcome will have no immediate impact on either company's French operations where they felt synergies could have been realised.

Lex, Page 10

Reliance on short-term foreign borrowing echoes debt crises in Latin America

S Korea paying for breaking cardinal rule of global finance



Source: Datastream/ICV

A Korean exchange clerk

South Korea, which has called on the International Monetary Fund and foreign governments to resolve its deepening debt payment problems, broke a cardinal rule of modern international finance.

South Korean borrowers relied excessively on short-term loans in foreign currencies. At the time it was borrowed, the money was cheaper than any alternative financing available. Now with lenders, in particular Japanese banks, demanding repayment, its true cost is becoming apparent – as it has repeatedly in past debt crises.

According to Arturo Porzecanski, global head of fixed income research at ING Barings in New York, this year's experience in Asia "is a reminder that the maturity structure of external liabilities should be a crucial factor in the assessment of sovereign creditworthiness".

He points out that the short maturity structure of bank loans precipitated the Latin American debt crisis of 1982; the short maturity of dollar-linked Treasury bills turned Mexico's December 1994 devaluation into a debt crisis; and "the short maturity of Asian obligations to foreign banks could turn Asia's currency crisis into the latest international debt crisis".

But history rarely repeats itself exactly. Most sovereign debt crises have come about as a result of excessive or inappropriate borrowing abroad by governments rather than, as in the Korean case, the private sector. Furthermore, they have usually been linked with large current account deficits present elsewhere in Asia, but not in Korea.

In 1982, for example, the year Mexico declared its inability to meet obligations to foreign banks and triggered a region-wide crisis, the public sector ran a deficit of 16.8 per cent of gross domestic product.

Until 1982, Mexico's average postwar growth had been rapid but this came at the expense of growing budget and current account deficits. Mexico never *stopped servicing its debt after* 1982, though lenders were effectively coerced into not calling it for repayment. The cost to its economy was heavy and growth was slow for years thereafter. When lending to Latin America and other emerging markets resumed in the early 1990s, lenders believed they could avoid such crises if they did not lend to governments running big public sector deficits, and particularly if they lent to the private sector.

Mexico's 1994-95 crisis came as a shock partly because there was no evidence of government profligacy in the run-up to the crisis. Moreover, the lenders were not banks, but mainly US investment institutions holding marketable debt – short-term dollar linked Treasury obligations known as *tesobonos*. Mexico had $41bn of maturities due in 1995, and in trying to defend a pegged exchange rate had allowed its foreign exchange reserves to dwindle to less than $10bn.

The cost of resolving that crisis – with the help of a US government rescue package and a helpful international economic environment – was a collapse in Mexico's GDP in 1995 of more than 6 per cent.

The most telling modern-day parallel for the Korean story, however, is that of Chile's debt crisis in 1982: and it makes unhappy reading for Korea. The Chilean crisis was perhaps the most damaging of all the 1980s Latin American debt crises – the economy contracted by 14 per cent in 1982 alone – and it was almost entirely a private-sector creation.

Nearly two-thirds of Chilean external debt at the end of 1981 was held by the private sector, without any form of government guarantee.

This foreign borrowing, encouraged as in the Korean case by a strong exchange rate, was assumed to be efficient, because it had been contracted by the private sector. Much of the borrowing had been made by a series of conglomerates, the so-called *grupos*, centred on a financial institution.

All this brought about – as it did in much of east Asia in the 1990s – a sharp rise in the price of non-tradeable goods. In Chile, the price of urban land in 1981 was nine times its price in 1970.

Nonetheless, by 1986, the government had been forced to extend its guarantee to more than three-quarters of the country's total foreign debt, and the banking crisis that resulted cost the government more than 20 per cent of GDP to resolve.

Chile was not the only country in Latin America to take over private-sector debt: Venezuela did the same in 1986. But it was the Chilean case that demonstrated the dangers of untrammeled foreign borrowing by the private sector.

Korea's current account deficit – running at an estimated 2.5 per cent of GDP – is far lower than the 21 per cent of GDP Chile had before things went wrong in 1981. But the lessons from Chile suggest adjustment will be painful. They also suggest that proper government oversight of the banking sector and private-sector borrowing abroad – its amount and its maturity – is a critical public policy concern.

The Chile experience shows *that pegged exchange-rate* regimes are likely to encourage excessive foreign borrowing which, if not channelled into productive investment, becomes unserviceable after a devaluation.

The irony is that Korea has been to the brink of financial crisis before. In 1982 it was one of the 10 most heavily indebted developing countries in the world and a Mexican-style crisis looked like a distinct possibility. Instead, the government never rescheduled its debt with creditor banks and grew its way out of crisis. Fifteen years later, it seems, it has reached a debt crisis that growth alone will not resolve.

Stephen Fidler

Sanwa lifts Thai bank stake

By Ted Bardacke in Bangkok and Gillian Tett in Tokyo

Japan's Sanwa Bank yesterday raised its stake in Siam Commercial Bank, Thailand's fourth largest bank, to 7.43 per cent, paying Bt2.25bn ($47.9m).

The deal was the first tranche of an expected purchase of 13 per cent of Siam Commercial by Sanwa.

That would make the Japanese bank Siam Commercial's single largest shareholder after the royally owned Crown Property Bureau.

Sanwa purchased 37.5m new shares of Siam Commercial at a price of Bt60 per share. The deal also gives Sanwa one warrant *for every four ordinary* shares.

The price paid by Sanwa is higher than the Bt47 per share paid by existing shareholders in a rights issue this month. In the rights issue, Siam Commercial sold slightly more than 127m new shares, raising approximately Bt5.9bn.

Combined with the proceeds from the Sanwa Bank sale, Siam Commercial will have raised its registered capital from Bt3.8bn to more than Bt10bn.

Sanwa Bank has declined to take seats on Siam Commercial's board or take an active role in management.

Recent deals between Thai banks and foreigners have been held up over conflicts about price, majority shareholding stakes and management control.

For example, First Bangkok City Bank, which is in negotiations to sell a majority stake to *Citibank of the US, replaced* most of its board of directors last week in an attempt to close the deal.

Citibank tentatively agreed in October to buy First Bangkok shares at Bt11 per share, the bank's new executive chairman said yesterday. But that was likely to change due to Thailand's ongoing financial crisis, Citibank's due diligence report and an unfavourable response to a rights issue offered to existing shareholders.

Given Sanwa's lack of management input and the price paid for Siam Commercial shares, some analysts speculated the Japanese bank, which already has a number of joint ventures with Siam Commercial and its affiliates, was merely converting debt to equity to finance the deal.

Siam Commercial executives declined to comment on this issue.

Nevertheless, Sanwa, regarded as one of the stronger and more innovative Japanese commercial banks, was taking another step towards making south-east Asia a strategic focus for its longer term business development.

Cash from equity issues falls

By Charis Gresser

The amount raised in equity issues by UK companies fell dramatically in 1997. Proceeds from initial public offerings totalled just £3.5bn ($5.77bn) against £10.14bn the year before, according to a survey by KPMG Corporate Finance.

The number of IPOs fell from 113 to 97, of which the largest was the telecommunications group Energis. But a number of companies shelved plans to float, including Ethical Holdings, a biotechnology company, and computer manufacturer Akhter.

Several factors have made this year especially tough for small UK companies seeking to float, which make up the bulk of the new issues market.

First, fund managers' appetite for smaller stocks has waned because they are seen as less liquid than the larger blue chips.

Institutional investors demand liquidity because they are placing ever larger chunks of institutional money in the market and also because of growing fears of another stock market correction.

Second, the small companies index missed out on another bull run by the blue-chips. The FTSE 100 index rose nearly 30 per cent this year, powered ahead by the strong performance of financial stocks, while the small Cap index for smaller companies rose less than 6 per cent.

Third, the strength of sterling had a bigger impact on UK-based smaller companies than on the larger international companies that make up the FTSE-100.

Neil Austin, head of new *issues at KPMG Corporate* Finance, said: "Institutions shouldn't ignore smaller companies because that's where the growth is. You could have a scenario in five years' time where small companies do not have access to an adequate equity market. There will not be a viable route to take a £40m company to a £400m company. So they will start to sell."

But the lacklustre climate for new equity issues has boosted the venture capital industry. Management buyout deals increased 20 per cent on 1996, to a record £7bn.

Swissair to buy stake in Italian airline

By Paul Betts in Milan

Swissair, the Swiss national flag carrier, is to acquire by April a substantial minority stake in Air One, the independent Italian airline set up two years ago.

Air One, controlled by the Italian Toto construction group, yesterday said it had signed a preliminary agreement with Swissair involving the sale of a large minority stake and greater collaboration between the two airlines.

The deal is part of the scramble of alliances and consolidation in the European airline industry and follows the recent strategic agreement between Alitalia, the Italian state controlled flag-carrier, and KLM Royal Dutch Airlines.

Swissair had made an unsuccessful attempt to forge a strategic partnership with Alitalia.

However, an Air One official yesterday said the agreement with the smaller Italian carrier was not directly related to Swissair's failed bid for a partnership with Alitalia. He said Air One and Swissair had already established commercial ties which would now be reinforced.

Air One, which operates 12 aircraft, including 10 Boeing 737s and two McDonnell Douglas DC9s, joined this year the Qualiflyer frequent flyer programme operated by a group of airlines including Swissair, Delta Air Lines of the US, Cathay Pacific, Sabena of Belgium, and Austrian Airlines, among others.

Swissair has also been providing Air One with commercial and marketing support in the UK for the Italian airline's three daily flights from Milan to London's Stansted airport.

Since it was set up in November 1995, Air One has been challenging Alitalia on the main Italian domestic trunk route between Milan and Rome as well as other domestic routes. It has gained about 30 per cent of the Milan-Rome shuttle.

The company said yesterday it expected to double passenger numbers and traffic revenues this year compared with the 713,000 scheduled passengers it carried in 1996 and the L117bn ($67m) it earned in traffic revenues. The company is operating at a loss since it is still in its build-up phase.

The deal with Swissair will enable Air One to intensify collaboration with Swissair's other partners in the so-called Global Alliance, including Delta and Sabena.

Sales of Mercedes advance by 8.5%

By Ralph Atkins in Bonn

Daimler-Benz, the German industrial group, said yesterday that the withdrawal of its A-class mini-car after problems with stability at high speeds had not prevented passenger car sales by the Mercedes-Benz division rising at least 8.5 per cent this year.

In an initial review of 1997 results, Jürgen Schrempp, chairman, also announced the group was maintaining its forecast that operating profits in the second half of the year would exceed the DM1.85bn ($1.04bn) reported for the first half. He forecast a "significant improvement" in profits compared with 1996, when the operating result reached DM2.4bn.

Aerospace and commercial vehicle divisions, which have performed poorly for many years, had returned to profit in 1997 – with better-than-expected performances compensating for recent setbacks in vehicles, Daimler-Benz said.

Passenger car sales by Mercedes-Benz are expected to exceed 700,000 for the first time in 1997, compared with 645,000 in 1996. Turnover in the division is expected to rise 14 per cent to DM52bn.

Problems with the A-class, which resulted last month in deliveries being stopped until February, are expected to cost DM100m this year and DM200m in 1998. The manufacturer is having to install new stabilising systems, lower the car body and fit wider tyres after the car failed the "elk-test" driving manoeuvres.

Daimler-Benz has also been hit by delays to its new Smart urban car, developed by Mercedes with Switzerland's SMH watches group. Daimler-Benz said much of its share of the DM300m cost of the delay would fall in 1997 but was partially covered by reserves.

Turnover in the commercial vehicles division rose 20 per cent to more than DM39bn with vehicle sales exceeding 400,000, compared with 348,000 in 1996. Turnover at Daimler-Benz Aerospace increased by 23 per cent to DM15bn. Daimler-Benz's turnover is expected to increase almost 20 per cent to more than DM120bn.

Observer, page 9

P&O Australia, the Australian ports operator, has doubled its holiday resort portfolio after the purchase of properties from Qantas, the airline, for A$25m (US$16.7m), AFX-Asia reports from Brisbane. The Queensland island resorts of Brampton, Bedarra Island Retreat and Dunk Island (above), represent a "suitable opportunity" for P&O to expand, according to Richard Hein, managing director. James Strong, chief executive, said the airline's sub-lease on Lizard Island would be retained after Suncorp's sale of the ground lease in July.

Keeping sugar farmers sweet

India, the world's largest producer of sugar, will see a fall of more than 10 per cent in the cane crop to 240m tonnes in the current season, badly affecting the industry's crushing operations.

However, Balrampur Chini Mills, the country's most profitable sugar group, says there is no shortage of cane around its two factories.

The success of the group is built on a farm development policy which makes more than 100,000 farmers "partners of the business".

This guarantees farmers the best possible prices and prompt payments in return for not switching to other crops. "The farmers know that we will run the factories as long as any cane is left in the field.

"And we will invariably settle the cane bills well before the time stipulated by the government," said Vivek Saraogi, managing director.

According to Vijay Goel, managing director of Dhampur Sugar, the country's biggest sugar group, "we may be bigger in size, but Balrampur is a better company in terms of operations. Its cane management is in a different league altogether, its recovery of sugar from cane is higher than ours and its quality of sugar is perhaps the best in the industry." Traders say the quality edge gives Balrampur higher than market prices for its sugar.

Balrampur is one of India's few commodity groups which finds favour with foreign institutional investors. Om Dhanuka, industry analyst, expected the group to report net profits of at least Rs400m ($10.2m) in the year to March 31 1998, compared with Rs236m last year.

"The group is seen to be committed to increasing shareholder value. It has an excellent record of rewarding the shareholders with bonus shares and liberal dividend payout. The fundamentals are strong. Balrampur has a return on capital employed percentage of 19.25, the highest in the industry," he said.

What analysts like most about Balrampur is that it has stuck to producing sugar. Mr Saraogi said Balrampur would remain a "highly focused group. We have got so much more to do in sugar that there is no question of our trying our hand in anything else.

"This is one industry where we do not anticipate competition from the multinational corporations."

Balrampur will raise the cane crushing capacity of its factory No1 to 10,000 tonnes a day and factory No2 to 6,000 tonnes a day in stages over the next few years.

"We will further raise the capacity of the factory No2 to 8,000 tonnes in a couple of years. The capacity expansion of the other factory will depend on the government strengthening the road network in the command area for us to be able to move bigger volume of cane," said Mr Saraogi.

A large number of factories in the country suffered from never having enough cane to crush, but Balrampur finds that thanks to its pact with local farmers, they are ready with extra cane whenever the factories are expanded.

"The group could have grown at a faster pace had the government strengthened the infrastructure in the area. After all, Balrampur is sitting on reserves of over Rs1bn and has a debt equity ratio of 0.95," says Mr Dhanuka.

The group, however, is not going to wait for the infrastructure to improve in order to expand its business. "A good number of sugar factories are on the block. We are looking at a few. We will buy a factory which offers scope for expansion.

"The acquisition will be funded by drawing from reserves and debts. There will be no equity dilution. We will boost shareholder returns by raising profits following acquisition," said Mr Saraogi.

Sugar is a cyclical industry yet in 1995-96, when sugar prices crashed under the weight of record production of 16.2m tonnes, Balrampur maintained net profits at Rs195m, according to Navin Suchanti, managing director of Pressman Finance, a leading stockbroker.

"Large milling capacity and a rigid cost control shield the group in bad years. In a good year like the current one, the group will be making super profits," he added.

The government has kept the sugar industry tightly under control – it has a say in everything from cane prices to how much sugar the factories can sell, but its grip will be slowly relaxed over the next few years.

"Any policy liberalisation will further enrich the bottom line of Balrampur," said Mr Suchanti. He added this year's lowering of cane purchase tax and decontrol of molasses would boost the group's profits.

Kunal Bose

US steel maker to shut coke division

By Richard Tomkins in New York

Bethlehem Steel, the second biggest US steel maker, is to end 140 years of manufacturing in Bethlehem, Pennsylvania, by closing its coke division with the loss of 800 jobs.

The shutdown will leave Bethlehem Steel with only 700 employees in the city, working in its corporate headquarters. In the 1950s and 1960s, the figure was nearer 16,000, and during the second world war, it peaked at about 31,000.

Bethlehem Steel said it would try to sell the coke division during the next few months, but analysts said it was unlikely to find a buyer and the company acknowledged that no prospective purchasers had shown an interest.

Bethlehem Steel was founded in Bethlehem in 1857 as a company called Saucona Iron, rolling iron railway rails. It later expanded its range of products and became Bethlehem Steel in 1899.

In recent years, it has been cutting costs and closing inefficient plants to counter growing competition from foreign producers and US mini-mills. Its biggest remaining plants are in Burns Harbor, Indiana; Sparrows Point, Maryland; and Steelton, Pennsylvania.

The company stopped making iron and steel in Bethlehem at the end of 1995 and closed its structural products division there earlier this year, leaving the coke division as its last manufacturing operation in the city.

Bethlehem Steel said substantial efforts had been made to improve the division's performance, but it had continued to incur significant operating losses. The plant was written off as an "impaired asset" in last year's fourth quarter.

The company said it would accelerate efforts to redevelop the site of its former manufacturing operations through a public-private sector partnership.

Part of the site is earmarked for a National Museum of Industrial History, an ice-skating complex and an indoor swimming pool, along with restaurants and shops.

INTERNATIONAL NEWS DIGEST

Bank chief joins Investor

Investor, the main investment vehicle for Sweden's Wallenberg industrial empire, yesterday announced a management reorganisation with the appointment of Jacob Wallenberg, chairman of Skandinaviska Enskilda Banken, to its senior management team. The company – which owns controlling stakes in some of Sweden's largest industrial groups including Ericsson, Astra and Electrolux – said Mr Wallenberg's appointment showed it was allocating "more senior resources" to the management of its investment portfolio.

Investor also announced the formation of a committee to oversee new investments, which are expected to be focused on healthcare, telecommunications, information technology and financial services. The committee will comprise four members of Investor's management group: Marcus Wallenberg, cousin of Jacob and chief financial officer of Investor; Börje Ekholm, formerly president of Novare, Investor's venture capital arm; Claes von Post, previously head of Investor Asia; and Thomas Nilsson, formerly head of Investor UK.

"We are separating the management of our main holdings from new investments. We have to adapt to changes in the market and we believe this will be a more efficient model," the company said. *Tim Burt, Stockholm*

■ FRANCE

Renault to raise Heuliez holding

Renault, the French carmaker, plans to double its stake in the parent company of Heuliez Bus, the second biggest manufacturer of urban buses in France, from Volvo of Sweden. The deal, which would give Renault a 75 per cent holding in Charolaise de Participations, will be considered by Renault's employees' council in January.

Renault already owns 37.5 per cent of Charolaise de Participations, with an equal stake held by Volvo and another 25 per cent owned by the family that founded the Heuliez vehicles group. Heuliez had turnover of FFr630m ($106m) in 1996. *Reuters, Paris*

■ FINLAND

Merita starts selling property

Merita, Finland's largest bank, has begun selling off its $4.67bn property portfolio by agreeing to sell 11 buildings to Sponda, the state-owned property group, for FM1.09bn ($203m). The bank, which signalled its property withdrawal as part of its $10.6bn merger with Nordbanken of Sweden, said the move would lead to a capital gain of FM160m and lift receipts from property sales to FM2.5bn this year. As part of the sale, the bank will receive shares in Sponda worth FM566m.

The Finnish government, meanwhile, said it had appointed stockbrokers Alfred Berg and investment bank Morgan Stanley to advise it on the privatisation of Sponda, one of the country's largest property companies. In the past month, the company has invested almost FM2bn buying property in Helsinki and other Finnish cities – funding most of the acquisitions by issuing paper. It is expected to be floated on the Helsinki stock exchange in the spring. *Tim Burt*

■ UKRAINE

SKF buys stake in Lutsk

SKF, the Swedish bearings manufacturer, said yesterday it had bought a majority stake in Lutsk Bearings, the Ukrainian state-owned industrial group, for an undisclosed sum. The company, employing 3,000 workers, is the Ukraine's sole manufacturer of taper rolling bearings and needle rolling bearings.

Earlier this year, SKF announced plans to accelerate its expansion in eastern and central Europe, where demand for bearings has risen faster than in its more mature western European markets. *Tim Burt*

■ AUSTRALIA

Property developers may merge

Australian property developers Forrester Parker and Peter Kurts Properties are considering a merger. Based on current market prices, the merged group would be valued at about A$182m (US$119m). "The potential for significant synergy benefits and cost savings is very good. Further, the size of the merged group should enable it to compete aggressively for new business," the two companies said in a joint statement.

The proposed terms and conditions of the merger will be announced in January 1998, subject to due diligence. Both developers are based in Queensland, although each has interests elsewhere. *Reuters, Brisbane*

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

Flying Frank puts the trust back into Bankers Trust

Scintillating deals and a strong share price have restored the bank's credibility and transformed the chairman's image

The words "quiet", "methodical" and even "boring" have all been used to describe Frank Newman, chairman of Bankers Trust, the seventh largest US bank holding company.

But a string of deals and a stellar share price performance in recent months are forcing investors and competitors to search for new words to describe both him and the newly emerging Bankers Trust.

Gone is the description of Mr Newman as the safe man of Wall Street. Instead, the tag "Flying Frank" is beginning to stick.

Since his appointment two years ago to the top job at Bankers Trust, Mr Newman's methodical style has helped to restore credibility to a company badly damaged by a derivatives lawsuit brought by Procter & Gamble, the US consumer group.

P&G sued Bankers Trust for fraud, claiming it had been misled over the real risks in two derivatives contracts. In May 1996, Mr Newman reached an out-of-court settlement with P&G and pledged to quell Bankers Trust's gung-ho trading culture to concentrate on developing long-term client relationships.

Investors and analysts had welcomed Mr Newman's appointment as a smart move for a company badly needing a safe pair of hands to guide it through a rocky period.

In the late 1980s, Mr Newman helped to perform a similar turnround at BankAmerica, but investors remained doubtful that he was the right man to run Bankers Trust over the longer term, particularly given the bank's need to implement a radical strategy away from its perceived over-reliance on trading.

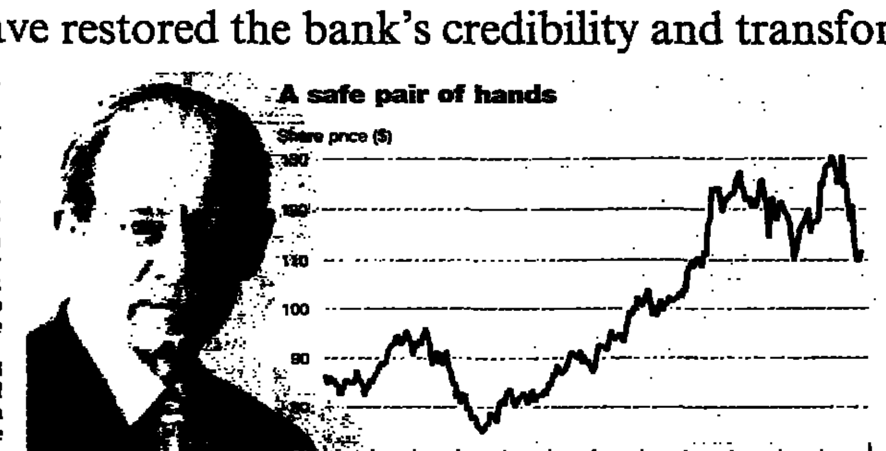
This year has seen Mr Newman go a long way to addressing those doubts. Deals in the US and overseas have seen Bankers Trust's share price increase by more than 30 per cent over the year and by more than 70 per cent over the past two years, albeit in line with other US banks.

The deals have helped to bolster the bank's investment banking operations, which now provide about 50 per cent of profits. Trading and risk management now play a less significant role, providing about 25 per cent of profits, with fund management, private client and custody and securities processing contributing the remaining 25 per cent.

In April, Bankers Trust announced it was taking over Baltimore-based Alex. Brown in the largest-ever acquisition of an investment bank by a commercial bank. In September, Bankers Trust concluded a deal with Nippon Credit Bank through which it has taken an equity stake in the Japanese bank and acquired the right to enlarge the stake in three years.

In between, it emerged that Bankers Trust had entered negotiations with Barclays Bank to buy the equity and advisory businesses of BZW, Barclays' investment banking division.

Bankers Trust later pulled out of those negotiations, only to announce it had agreed to pay $129m in cash to National Westminster Bank of the UK. The deal gave Bankers Trust NatWest Markets' equities research, institutional sales and trading, and primary markets origination business in the UK and Europe, and helped to fill an international hole in its investment banking operation.



For while Bankers Trust has long talked about offering clients "one-stop shopping" in a range of investment banking services, the reality is that it has essentially been a capital markets operation while defined as a commercial bank under US regulations.

The bank has shown particular strengths in high-yield bonds and leveraged lending for several years but has lacked strength in equities and merger-and-acquisition work both in the US and in Europe.

The takeovers at Alex. Brown and NatWest have gone some way to enabling Bankers Trust to meet the reality of its one-stop-shopping pledge. Alex. Brown brought equities research, underwriting and distribution capabilities in the US, and NatWest Markets has given it a foothold in pan-European equities. Together with the acquisition of the mergers-and-acquisitions boutique Wolfensohn in 1996, Bankers Trust says that it now has the ability to offer corporate clients a more global range of equity, debt and M&A advice and services.

"It has been an exciting time for me," Mr Newman says. "Our major priorities are to make the most of the Alex. Brown and NatWest Markets acquisitions. At the same time we are building in Asia, Latin America and eastern Europe."

But doubts remain about Bankers Trust's future in the fast-changing world of investment banking. Mergers such as the recently announced link between Swiss Bank Corporation and Union Bank of Switzerland are forcing investment bankers in Europe and the US to reconsider their growth strategy, and competitors say Bankers Trust risks being left in the middle as the investment banking industry splits between large and niche.

"What reason is there for Bankers Trust to continue to exist?" asks a senior executive at one of the investment banks. "Frank has overseen an excellent turnround job, but can he answer the question 'why should we remain independent?'" Others point to Bankers Trust's somewhat eclectic collection of assets – it owns, for example, half the largest insurance group in Chile – as evidence that the bank has failed to implement a properly focused strategy.

"They have talked about becoming a global investment bank, but have held on to assets that are of no fit at all," one banker says.

Mr Newman rebuts these criticisms. He says Bankers Trust has no intention of competing with firms such as Merrill Lynch and Goldman Sachs for underwriting business from the largest companies in the US.

"There is no particular point for us to propose to one of the largest US corporates today that we do their next equity underwriting. Goldman Sachs and Merrill Lynch are doing that," Mr Newman says. "We are concentrating on bringing integrated solutions to growth companies. We do not have the objective of doing the plain vanilla standard activities, where there is a crowded field and correspondingly low margins."

Mr Newman also insists that the SBC-UBS link-up holds little significance for Bankers Trust. "I don't think it [the SBC-UBS merger] has a very big impact on us one way or another. It is part of a trend we saw with both Barclays and NatWest where some institutions, mostly European, that were trying to break into investment banking in a significant way are rethinking their strategies one way or another."

But Newman concedes that with NatWest Markets' focus on secondary market activity and companies with large market capitalisations, Bankers Trust still has an equity primary market and medium-capital company hole to fill in Europe. "There is no doubt we need to work hard to build an equity primary market business in Europe," he says.

While the parts of NatWest Markets that Bankers Trust has acquired specialise in stockbroking for large corporate clients, Bankers Trust says that more than half of these stockbroking relationships are with growth and restructuring companies – Bankers Trust's stated focus in the US.

As for speculation about the future of Bankers Trust, Mr Newman is unambiguous: "Bankers Trust is not for sale."

William Lewis

Biocompatibles shares advance 6.6%

By Daniel Green

Biocompatibles has won European regulatory approval for one or its heart disease products prompting a 6.6 per cent rise yesterday in the biotechnology company's shares. The shares, which have fallen 65 per cent per cent from their peak earlier this year, closed at 485p, up 30p.

The latest approval is for *phosphorylcholine (PC)*, a plastic substance which is designed to be friendly to the human body and is used to cover stents. Stents are wire mesh cylinders which surgeons implant in blood vessels to keep them open.

However, the relatively modest recovery in the share prices following the awarding of the European CE Mark – a European standard – underlines that real problem facing Biocompatibles is its need to sign a distribution deal with a large stent marketer.

In September, the company's share price collapsed after talks with US company Johnson & Johnson on a stent deal ended. It has also been hit by persistent rumours in the stock market, denied by the company, of boardroom disagreements.

Julian Steadman, finance director, said that the company was "very pleased with the progress made" in the latest talks with potential partners.

He said that the CE Mark was important because "when we finish our strategic partnership discussions we can go from day one across Europe."

The stents have already been on sale in some European and Middle Eastern markets, but the company was waiting for the CE Mark before launching in the UK, Germany and Spain.

Mr Steadman said that the speed of the approval – two weeks – was "a validation of the technology."

The stents are made by Divysio, a Canadian company bought by Biocompatibles in 1996. Divysio is known for its expertise in y-shaped stents that can be inserted where blood vessels branch, although the stents just-approved are of the straight type.

This latest regulatory approval follows the US Food and Drug Administrations permission that Biocompatibles' can claim its PC-coated Hunter coronary guidewire (which surgeons push along blood vessels) can reduce the incidence of blood clots.

UniChem merger wins approval

By David Blackwell

Shareholders of UniChem, the UK wholesale and retail pharmaceuticals group, have approved its merger with Alliance Sante of Italy.

Alliance UniChem, as the combined healthcare group will be known, will have annual sales of almost £5bn ($8.25bn) and rival Germany's Gehe in the European market.

Dealings in the shares of the enlarged group – to be chaired by Kenneth Clarke, the former Tory chancellor – will start today.

Jeffery Harris, chief executive, said that he was "delighted" with the level of shareholder support for the merger at yesterday's extraordinary meeting. "Now we have got to go away and make it work."

UniChem is issuing 104.6m new shares, or 37 per cent of the enlarged capital, to acquire Alliance Sante Luxembourg, a private holding company owned by Stefano Pessina.

Yesterday Mr Harris flew to Paris to shake hands on the deal with Mr Pessina, who has spent 20 years building the group he inherited from his father.

Mr Pessina, who will become deputy chairman, faces criminal proceedings in two Italian districts.

The proceedings, which he is vigorously defending, relate to a 1990 deal but there is no indication of the timing of their conclusion.

Mr Harris said Mr Pessina would be responsible for looking at expansion opportunities in southern Europe. Next month the new management team would meet for the first time and start seeking realistic synergy benefits.

UniChem this year lost a £684m bid battle for Lloyds Chemists of the UK to Gehe. The two rivals each have about a third of the UK market for wholesale pharmaceuticals.

Alliance UniChem will have 30 per cent of the French market, second to Gehe. It will be market leader in Italy and Portugal, and second in Spain.

The merger document said that pro-forma sales this year would have been £4.9bn, with pre-tax profits, before restructuring costs, of £102.2m.

UPPA

Jeffery Harris: delighted with level of shareholder support

Brazit board rejects call for mass resignation

By Jean Eaglesham

Fresh hostilities have broken out in the long running fight for control of Brazilian Smaller Companies Investment Trust.

The board has rejected a call from its two biggest shareholders for its mass resignation. The issue is now expected to be put to the vote at an extraordinary meeting.

The resignation request came from Hermes and City of London, institutional investors which between them hold 38.8 per cent of Brazit's shares.

It appears to have been triggered by the actions of Foreign & Colonial Emerging Markets, the trust's manager, which bought 19 per cent of the warrants in the autumn.

In theory, this could give it a blocking stake in votes on the trust's future, including restructuring proposals submitted by rival manager Peregrine Securities.

In a joint letter presented to Brazit's board on December 17, Hermes and City of London attacked its "mute response" to the "irreconcilable conflict of interest" between F&C Emerging Markets and Brazit's shareholders that had been created by the warrants purchase.

But Brazit's board said on December 23 it had received a written assurance from F&C that the manager would not vote using its warrants holding. It also rejected as "completely unfounded" concerns about its possible lack of independence from the manager.

The board stressed the warrants purchase was made "without the knowledge of all members of the board, including Michael Hart [who has just retired as chairman of F&C Management]".

Brazit's fate has been in question since January 1997, when the board appointed SBC Warburg Dillon Read to advise it on how to address shareholder concerns about the wide discount between the share price and the value of the underlying assets.

Last-minute shoppers lift Littlewoods

By David Blackwell

Littlewoods, the retailer that is the UK's biggest private company, enjoyed a Merry Christmas – thanks to last-minute shoppers.

Sales in the three weeks to December 27 were 15 per cent ahead of the same months in 1996, the group reported yesterday. The rise was driven by the mail order home shopping side of the business, which has in the last 12 months introduced guaranteed delivery within 48 hours.

"Consumers are leaving their Christmas shopping ever later," said Barry Gibson, chief executive. "There has been a structural change in the way people shop."

His theory was supported by figures from Goldsmiths Group, the jewellery chain, which yesterday reported a rise of 8 per cent in like-for-like sales in the four weeks to December 27.

The sales figures look encouraging after the gloomy speculation ahead of Christmas, when retail analysts were bracing themselves for grim January trading statements and lower profit forecasts.

Mr Gibson suggested that Littlewoods' figures might show early December trading warnings by some groups to be "a little premature".

Littlewoods' figures showed that sales in the stores were down 1 per cent in the three weeks to December 27, while the home shopping sales were 24 per cent higher. However, Mr Gibson said the stores had focused on reducing discount levels, and had seen "a significant improvement" in margins.

Analysts suggested it was too early to draw any general conclusion from yesterday's figures.

Rod Salmon, of Dresdner Kleinwort Benson, said that many of the whispers of a disappointing Christmas had centred on the clothing sector, where some retailers had over-ordered last summer.

Last month, shares in Oasis Stores, the fashion retailer, fell heavily when it warned warned of "disappointing" trading in the run-up to Christmas. On the same day Mulberry, the Aim-listed designer brand company, described Christmas trading as "lacklustre".

Knickerbox, the lingerie franchise in which Gieves Group has a 49.5 per cent stake, was placed in administration on Christmas Eve. Yesterday, the administrators offered the business for sale as a going concern.

Willis Corroon venture

Willis Corroon Group has agreed to establish Willis Corroon Tower (Private), which will operate as a reinsurance broker and consultant on insurance and risk management in India.

The business will be based in Bombay and will be a joint venture with Tower Insurance and Reinsurance Services (Private), in which Willis will have a majority stake.

IPG shares rise 18% on approach

By Emiko Terazono

Shares in Independent Parts Group rose 20¼p to 134¼p yesterday, as the manufacturer and distributor of vehicle components said that it was in talks concerning a possible offer.

The offer at some 140p a share, values the company at about £33m ($54.5m).

The group, which is 27 per cent owned by Gartland Whalley &Barker, the corporate developer which floated on Aim in August, came to market in September 1994 at 112p.

Peel Hunt, IPG's advisers, *said negotiations were at an* advanced stage.

IPG is the holding company for Tuberex, a manufacturer of automotive exhaust systems, and Veco, a wholesale distributor of replacement vehicle components.

The company reported a 13 per cent rise in annual pre-*tax profits to £4.2m in the* year to last March.

Sales rose 27 per cent to £25.6m, in spite of tougher conditions faced by Tuberex and Veco.

IPG has been strengthening its parts distribution business, and in November it bought MI Diesel Products, a supplier and distributor of *diesel fuel injection parts*, for £2.65m.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Beverley	6 mths to Aug 31	0.662	(1.15)	0.622L	(0.531L)	0.19L†	(0.27L)	-	-	-	-	-
NECA Φ	Yr to Sept 30	8.96	(7.47)	0.198L♠	(0.204♠)	2.2L	(0.8)	0.25	Apr 29	0.5	0.5	0.5

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. †On increased capital. ΦAim stock.

Polish telecoms sale under way

By Christopher Bobinski in Warsaw and Vincent Boland in London

Plans for the flotation next year of Telekomunikacja Polska (TPSA), Poland's state-controlled telecommunications operator, got under way yesterday when the government closed a tender for an adviser for one of eastern Europe's largest public offering to date.

Nine banking groups handed in bids to act as adviser to the government, which wants to float 20 per cent of TPSA in a domestic and international share offering next autumn that bankers say could be worth up to $2bn.

The flotation of TPSA is one of the most eagerly-sought investment banking mandates for next year in what promises to be a flagship privatisation. It is likely that the role of adviser will eventually extend to acting as global co-ordinator for the flotation.

The tender has seen the big global investment banks team up with each other and with local houses to boost their chances of winning the mandate.

The bidders include a consortium in which J.P. Morgan and Merrill Lynch have linked up with Poland's Bank Handlowy, while ING Barings and Morgan Stanley have joined forces with Pekao SA, the country's largest domestic brokerage.

UBS, which participated in the flotation last year of KGHM, Poland's copper producer, with Wielkopolski Bank Kredytowy (WBK), is bidding for the TPSA flotation with Goldman Sachs, which has followed the development of Poland's private telecoms sector.

Dresdner Kleinwort Benson has tendered alongside Salomon Smith Barney and Poland's Export Development Bank (BRE), which is controlled by Commerzbank of Germany. Credit Suisse First Boston, which did a pre-privatisation study for TPSA, has teamed up with Deutsche Morgan Grenfell.

The other bidders are Schroders, which has also done pre-privatisation work on TPSA; HSBC, which has helped with the privatisation of several Polish banks; ABN Amro Rothschild in partnership with Bank Przemyslowo Handlowy; and Paribas with BIG, another local banking group.

The privatisation of TPSA will almost double the size of the Warsaw stock exchange, which currently has a market capitalisation of about $11bn.

The prospectus for the sale of the stake is to be ready by the middle of next year, while the winner of the adviser's role will be announced early in 1998.

TPSA's imminent arrival on the stock market follows the successful IPOs last year of Bank Handlowy and KGHM, and comes after a busy year for domestic Polish issues. It also follows the flotation last month of Matav, Hungary's telecoms operator, which was the biggest so far from the region.

The company's flotation is one of several telecoms issues expected in 1998, following a heavy calendar of offerings from the sector this year. Others tipped to come to the stock market next year include Swiss Telecom and Telecom Finland, while some bankers expect a second tranche from France Telecom.

Moody's says UK bank ratings stable

By Samer Iskandar

Intensifying competition, preparations for the single European currency and the inverted yield curve are some of the challenges facing UK banks as they enter the new year, according to a report* by Moody's, the US credit rating agency.

These challenges, however, are offset by UK banks' "considerable strengths", Moody's adds. As a result, it is predicting a stable outlook for credit ratings.

"The large UK banks' credit strength is underpinned by strong domestic franchises," it says. "These are national franchises for the most part, with sizeable market shares, reflecting the fact that consolidation is quite far advanced."

Although difficulties linked to European monetary union are shared by all European banks, UK-based institutions face the added burden of uncertainty about when and whether the UK will be joining.

"UK banks have confined their preparations for Emu to providing services and products in the euro to business customers and European banking customers," Moody's says. "Those in countries whose participation is likely or certain, such as Spain or Germany, have committed significant investment to preparing branch banking systems for retail customers."

Disintermediation (the loss of market share as borrowers turn to the capital markets instead of bank loans) is also a threat to banks.

"In the short term, we think that the rate of market share erosion is likely to level off. Longer-term, the disintermediation threat is very real," the authors say.

Banks' ratings are also expected to come under pressure from the recent inversion of the yield curve, as long-term yields fell below short-term interest rates. This will reduce earnings from maturity transformation – borrowing cheap funds on the interbank market and lending the proceeds for longer periods at higher interest rates.

Moody's, however, also points out some significant competitive advantages for UK banks. Having operated in a comparatively deregulated environment, they have succeeded in maintaining strong market positions. While advances in technology have reduced the value of branch networks, the banks' large customer bases remain important assets. The four large UK clearing banks – Barclays, Lloyds TSB, Midland and NatWest – still account for almost three-quarters of the country's current accounts.

Lloyds TSB has 15m customers, a 25 per cent market share. Barclays and NatWest have roughly 7m customers each and market shares of 20 per cent of sterling deposits, according to the British Bankers Association.

Banking System Outlook, UK (December 1997), Moody's Investors Service.

Prices drift lower in thin trading

GOVERNMENT BONDS

By John Labate in New York and Vincent Boland in London

Government bond markets drifted lower in very thin holiday trading yesterday as the focus switched to equity markets, which rallied strongly after the emergency bail-out for South Korea restored some semblance of stability to the Asian financial markets.

With the US Treasury market trading down amid indications that money was being switched out of bonds and into stocks, European markets had little encouragement to move higher. Volumes were also very low as traders stayed away for an extended Christmas and new year break.

US TREASURIES edged slightly lower in quiet early trading. Around mid-day the benchmark 30-year Treasury bond was $\frac{3}{32}$ lower at $102\frac{13}{32}$, with the yield up to 5.923 per cent.

Among short-term issues the 10-year note fell $\frac{1}{32}$ to $102\frac{11}{32}$, yielding 5.756 per cent, while the two-year note lost $\frac{1}{32}$ to 99⅞, yielding 5.692 per cent.

Traders did not see a single event causing Monday's trading weakness. "It's probably due to a lack of commitment and enthusiasm after the weekend," said William Gamba, manager of bond trading at Cowen & Co.

In the longer term, however, further developments in Asia are expected to continue to influence Treasury prices.

"There's a glimmer of hope in the next few weeks that the Asian crisis will move from a crisis to a problem," said Marcello Frustaci, senior vice-president and trading manager at Daiwa Securities. "A lot of the Treasury rally has been due to Asia, so a correction is not out of the question."

Later in the afternoon the US Treasury was to auction $14.5bn in three-month and six-month bills.

In the only piece of fresh economic data for the day, existing home sales were shown to have fallen by just 0.2 per cent in November.

Figures on consumer confidence will be released today, while later in the week data on industrial activity and jobless claims will be released.

Analysts said the general mood in European bond markets was slightly more positive after Friday's rally by the Korean won, in spite of the thin trading.

The Asian crisis also fuelled the expectation that interest rate rises in 1998 would be kept to a minimum because of the threat posed to global economic growth.

While a rise in German value added tax rates next year would add almost half a percentage point to inflation in April, and would induce some response from the Bundesbank, economists at Bank of America said they expected the only moves in official interest rates among expected qualifiers for European monetary union would be downward.

GERMAN BUNDS traded marginally lower in a tight range, with little on the domestic news front to give them direction. Traders said the US data was the market's next focus.

The March future settled at 104.88 after meeting firm resistance earlier at the day's high of 105.13, three points below the contract's historic high.

Volume was extremely light, with only 20,000 contracts changing hands in London and 18,000 in Frankfurt. The markets will close in the early afternoon today and trading will resume on January 2.

UK GILTS were range-bound and ended slightly lower, with the March future settling at 122, down $\frac{1}{32}$ from the previous session.

Fewer than 7,000 contracts had changed hands by the close of trading on Liffe. The spread over 10-year bunds narrowed by one point to 105 basis points.

ITALIAN BTPs followed bunds lower, with the March future settling in London at 116.35, down 0.10 from Friday, again in thin volumes. The spread over 10-year bunds widened by one point to 33 basis points.

Analysts said the market was underpinned by the pre-Christmas rate cut from the Bank of Italy and while the 75 basis point reduction had been priced in, the longer-term focus of the market was on further cuts in the run-up to May's decisions on monetary union. Some said a further 100 basis point cut would be in place by then.

FRENCH BONDS traded in line with bunds, and the 10-year OAT/bund spread was eliminated. In Paris, the March future settled at 101.50, down 0.14.

SPANISH BONOS ended weaker. The March contract settled in London at 106.33, down 0.19 from Friday, with little activity seen ahead of a renewal in speculation on whether the Bank of Spain will cut interest rates.

Taiwan futures delayed

The Taiwan International Mercantile Exchange yesterday announced a further delay in the opening of Taiwan's first futures exchange, due to parliament's failure to enact necessary legislation, Reuters reports from Taipei.

The new target is the first quarter of 1998, the exchange said.

"Our plan is to start futures trading in the first quarter, but parliament must pass the needed tax revisions," said Hsiao Fang-ming, secretary-general of the fledgling exchange.

Another exchange official said parliament was now expected to enact the needed regulations under Taiwan's Futures Transaction Law, which was adopted in March.

Exchange officials said the regulations were stuckin parliamentary gridlock, and that no significant opposition was expected once a final review was begun.

Parliament is currently in session, but no schedule has been set for the tax law revisions.

Earlier this month the exchange undertook trading simulations and officials said the computerised trade matching system worked properly.

The first contract to be introduced will be a stock index future based on the Taiwan Stock Exchange's proprietary TAIEX index.

The only hedging instruments currently available to investors in Taiwan's stock market are the offshore index futures traded on the Chicago Mercantile Exchange and on Simex, the Singapore derivatives exchange.

Those contracts are based on other indices that track the performance of Taiwan's stock market.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Dec 29	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	04/00	7.000	103.6253	5.29	-0.03	-0.12	+0.12	-0.93
	10/07	10.000	129.9610	5.88	-0.04	-0.13	-0.30	-1.50
Austria	03/99	7.000	104.2900	4.34	-0.02	-	-0.12	+0.54
	07/07	5.625	102.1100	5.33	+0.03	-	-0.20	-0.51
Belgium	01/00	4.000	99.5100	4.25	-0.03	-0.05	+0.01	+1.01
	03/07	6.250	106.3800	5.35	+0.01	-0.03	-0.25	-0.53
Canada	03/99	4.750	99.2500	5.21	+0.02	-0.04	+0.74	+1.33
	06/07	7.250	111.4000	5.65	+0.01	-0.01	+0.05	-0.65
Denmark	12/99	6.000	102.8000	4.46	+0.03	-	-0.25	+0.44
	11/07	7.000	110.3300	5.61	+0.04	+0.01	-0.32	-0.92
Finland	01/99	11.000	106.9710	4.01	-0.03	-0.06	-0.23	+0.26
	04/06	7.250	112.4860	5.34	-	-	-0.29	-0.91
France	01/00	4.000	99.6300	4.19	+0.04	+0.01	-0.13	+0.74
	10/04	6.750	110.1200	4.96	+0.04	+0.01	-0.23	-0.18
	10/07	5.500	101.8200	5.26	+0.04	+0.01	-0.19	-0.45
	10/25	6.000	102.3400	5.83	+0.03	+0.01	-0.18	-0.87
Germany	09/99	4.000	99.8900	4.08	+0.02	+0.01	-0.13	+0.62
	11/04	7.500	113.8200	5.06	+0.03	-	-0.17	-0.37
	07/07	6.000	105.4000	5.26	+0.02	+0.01	-0.19	-0.53
	07/27	6.500	108.9400	5.85	+0.02	-0.01	-0.19	-0.83
Ireland	04/99	6.250	101.6000	4.88	-0.01	-0.07	-0.33	-1.11
	08/06	8.000	117.1000	5.46	-	-0.03	-0.38	-1.25
Italy	05/00	6.000	102.7700	4.74	-0.01	-0.08	-0.36	-1.67
	05/02	6.250	104.6700	5.04	-0.01	-0.07	-0.39	-1.75
	07/07	6.750	109.1000	5.51	+0.03	-0.02	-0.36	-2.12
	11/26	7.250	117.2700	5.99	-0.01	-0.06	-0.41	-2.16
Japan	03/00	6.400	112.5400	0.66	+0.04	+0.03	+0.26	-0.10
	12/02	4.800	116.8000	1.29	+0.05	+0.03	+0.01	-0.84
	09/05	3.300	109.3300	1.71	+0.02	-	-0.08	-0.84
	09/17	3.000	107.0200	2.54	-0.02	-	-0.12	-0.82
Netherlands	11/99	7.500	105.8263	4.19	-0.02	-0.05	-0.09	+0.79
	02/07	5.750	103.7900	5.22	+0.03	+0.01	-0.21	-0.47
New Zealand	02/00	6.500	97.8861	7.61	-0.03	-0.13	+0.73	+0.57
	11/06	8.000	106.6503	6.98	-0.02	-0.11	+0.26	-0.29
Norway	01/99	9.000	104.7300	4.41	+0.03	+0.01	+0.01	-0.04
	01/07	6.750	109.2500	5.43	+0.01	+0.01	-0.16	-0.82
Portugal	[illegible]	8.500	104.4719	4.64	-0.04	-0.08	-0.27	-1.25
	[illegible]	6.625	107.5263	5.55	+0.02	-0.02	-0.26	-1.32
Spain	[illegible]	7.400	104.2861	4.43	-	-0.06	-0.21	-1.27
	[illegible]	7.350	113.0346	5.50	-0.04	-	-0.24	-1.42
Sweden	01/99	11.000	105.9130	5.08	-0.03	+0.01	-0.11	+0.53
	[illegible]	9.000	114.9610	5.96	+0.02	-	-0.27	-0.78
Switzerland	[illegible]	5.000	106.6500	1.83	+0.04	+0.01	-0.02	-0.20
	[illegible]	4.500	110.0000	3.25	+0.04	+0.04	-0.26	-0.61
UK	[illegible]	6.000	98.8984	6.73	+0.02	-0.04	-0.35	+0.06
	[illegible]	6.750	102.2500	6.34	-0.01	-0.04	-0.28	-1.02
	[illegible]	7.250	107.6719	6.20	-	-0.07	-0.29	-1.30
	[illegible]	5.000	122.4063	6.19	+0.01	-0.06	-0.21	-1.42
US	[illegible]	5.625	99.9374	5.72	+0.03	+0.01	-0.11	-0.07
	11/04	7.875	111.9750	5.76	-	+0.02	-0.14	-0.32
	[illegible]	6.125	102.7340	5.75	-0.01	+0.03	-0.13	-0.54
	[illegible]	6.375	105.6020	5.97	-0.01	+0.02	-0.13	-0.59
ECU	[illegible]	4.000	98.9000	4.55	-	-0.03	-0.07	+0.52
	04/07	5.500	100.5300	5.38	+0.03	-	-0.21	-0.87

London closing, *New York mid-day. Source: Interactive Data/FT Information. Yields: Local market standard. Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Dec 29	Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	5.88	[illegible]	[illegible]
Austria	5.33	[illegible]	[illegible]
Belgium	5.35	[illegible]	[illegible]
Canada	5.65	[illegible]	[illegible]
Denmark	5.61	[illegible]	[illegible]
Finland	5.34	[illegible]	[illegible]
France	5.26	[illegible]	[illegible]
Germany	[illegible]	-	[illegible]
Ireland	5.46	[illegible]	[illegible]
Italy	5.51	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]
New Zealand	6.98	+1.71	+1.21
Norway	5.43	+0.18	-0.32
Portugal	5.55	+0.30	-0.20
Spain	5.50	+0.25	-0.25
Sweden	5.96	+0.71	+0.21
Switzerland	3.22	-2.03	-2.53
UK	6.20	+0.95	+0.45
US	5.75	+0.50	-
ECU	5.37	+0.12	-0.38

Source: Interactive Data/FT Information. London closing, * New York closing. Annualised yield basis.

EMERGING MARKET BONDS

Dec 29	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
■ EUROPE								
Croatia	[illegible]	7.000	BBB-	94.8305	8.48	+0.01	+0.15	+2.76
Poland	[illegible]	7.125	BBB-	97.8481	7.55	+0.01	+0.36	+1.82
Russia	[illegible]	10.000	BB-	87.9791	12.17	+0.01	+0.50	+6.42
■ LATIN AMERICA								
Argentina	[illegible]	9.750	BB	91.8675	10.65	+0.02	-0.05	+4.73
Brazil	05/27	10.125	BB-	85.2403	11.53	-0.02	-0.02	+5.61
Mexico	[illegible]	11.500	BB	115.2448	9.87	+0.02	+0.02	+3.96
■ ASIA								
China	07/06	7.750	BBB+	103.5300	7.16	+0.01	+0.27	+1.42
Philippines	10/16	8.750	BB+	90.1741	9.01	-0.01	-0.22	+4.08
Thailand	04/07	7.750	A-	85.8573	10.16	+0.01	-0.24	+4.41
■ AFRICA/MIDDLE EAST								
Lebanon	[illegible]	9.125	BB-	102.4554	7.99	-0.01	-0.25	+2.28
South Africa	[illegible]	9.375	BB+	102.7544	7.92	+0.01	-0.19	+2.18
Turkey	[illegible]	10.000	B	100.2677	9.94	+0.01	-0.36	+4.19
■ BRADY BONDS								
Argentina	[illegible]	5.500	BB	72.4531	8.67	+0.01	-0.04	+2.78
Brazil	[illegible]	4.500	BB-	75.3060	10.43	+0.01	-0.23	+4.62
Mexico	[illegible]	6.250	BB	82.1970	7.99	+0.02	-0.02	+2.13
Venezuela	[illegible]	6.750	B+	85.0792	8.22	+0.02	-0.22	+2.36

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	101.58	101.50	-0.14	101.64	101.50	14,359	133,574
Jun	101.00	100.90	-0.14	101.00	101.00	2	125
Sep	100.76	100.66	-0.14	100.76	100.76	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jan	Calls Feb	Calls Mar	Puts Jan	Puts Feb	Puts Mar
96	5.76	5.76	5.16	-	0.03	0.07
97	4.76	4.77	4.24	-	0.04	0.14
98	3.76	3.81	3.38	0.01	0.08	0.27
99	2.79	2.88	2.60	0.04	0.14	0.47
100	1.84	2.00	1.92	0.09	0.26	0.78

Est. vol. total, Calls 2,220 Puts 4,805. Previous day's open int., Calls 62,827 Puts 83,403

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	105.09	104.88	-0.19	105.13	104.80	17123	239305
Jun	-	104.29	-0.19	-	-	0	1144

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
10450	0.68	0.98	0.86	1.19	0.30	0.60	1.07	1.40
10500	0.39	0.70	0.65	0.96	0.51	0.82	1.36	1.67
10550	0.20	0.47	0.48	0.76	0.82	1.09	1.59	1.97

Est. vol. total, Calls 1824 Puts 1970. Previous day's open int., Calls 119402 Puts 128915

■ NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	104.51	104.33	-0.18	104.51	104.30	13,175	188,599

■ NOTIONAL GERMAN BOBL FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	104.48	104.39	-0.18	104.49	104.39	727	30,994
Jun	-	103.81	-0.18	-	-	-	-

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	116.32	116.35	-0.10	116.40	116.11	7601	119449
Jun	-	115.75	-0.10	-	-	0	146

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
11600	0.98	1.26	0.63	1.51
11650	0.71	1.04	0.86	1.79
11700	0.48	0.85	1.13	2.10

Est. vol. total, Calls 502 Puts 93. Previous day's open int., Calls 40365 Puts 40578

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	106.42	106.33	-0.17	106.52	106.31	13,522	90,724

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	121-15	121-22	+0-03	121-22	121-15	396	2306
Mar	121-30	122-00	-0-02	122-05	121-26	6823	179787

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
122	0-52	1-13	0	0	0-52	1-13	15-44	15-44
123	0-26	0-49	0	0	1-26	1-49	16-44	16-44
124	0-14	0-32	0	0	2-14	2-32	17-44	17-44

Est. vol. total, Calls 3621 Puts 3300. Previous day's open int., Calls 41209 Puts 17435

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	100.88	100.80	-0.08	100.88	100.80	575	5,689

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	120-25	120-17	-0-08	121-02	120-16	21,895	683,821
Jun	120-15	120-08	-0-07	120-17	120-08	15	31,415
Sep	120-07	120-01	-0-06	120-07	120-01	120	5,146

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	129.90	-	-	129.96	129.89	173	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

US CORPORATE BONDS

Dec 26	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ UTILITIES								
Pac Bell	07/02	7.25	AA-	104.1852	6.17	-9.99	-0.10	+0.47
NY Tel	08/25	7.00	A+	99.3917	7.04	-9.99	-0.13	+1.14
CWE	05/08	8.00	BBB	109.4525	6.71	-9.99	-0.09	+0.97
■ FINANCIALS								
GECC	05/07	8.75	AAA	117.1048	6.30	-9.99	-0.12	+0.56
Banc One	08/02	7.25	A+	104.0035	6.23	-9.99	-0.10	+0.53
US West	01/07	7.30	BBB+	103.7748	6.73	-9.99	-0.17	+0.99
■ INDUSTRIALS								
WMX Tech	04/99	6.25	A-	99.8358	6.37	-9.99	-0.18	+0.70
Wal Mart	05/02	6.75	AA	102.3576	6.12	-9.99	-0.11	+0.42
Dayton Hud	06/21	9.70	BBB+	130.8761	7.00	-9.99	-0.14	+1.10
■ AGENCIES								
FHLMC	04/07	7.14	N/A	107.5904	6.05	-9.99	-0.09	+0.31
SLMA	03/00	7.50	N/A	103.3253	5.85	-9.99	-0.06	+0.14
FNMA	02/18	8.95	N/A	129.9200	6.30	-9.99	-0.14	+0.40
FFCB	08/06	8.95	N/A	118.9999	6.03	-9.99	-0.12	+0.29
■ HIGH YIELD								
Stone Cont	02/01	9.88	B	99.8750	0.00	-	-	-
AK Stl	12/01	9.13	BB-	102.2500	0.00	-	-	-
Pacalta	06/04	10.75	B-	97.7500	0.00	-	-	-

New York closing. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8½	One month	-	Two year	5.69
Broker loan rate	7⅛	Two month	-	Three year	5.72
Fed.funds	5⅜	Three month	5.39	Five year	5.73
Fed.funds at intervention	-	Six month	5.48	10-year	5.76
		One year	5.53	30-year	5.92

INTERNATIONAL BONDS

Dec 29	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
■ EURO DM								
EIB	02/07	5.750	AAA	103.1200	5.31	+0.04	-0.20	+0.06
Spain	01/07	5.750	AA	102.8100	5.42	+0.03	-0.19	+0.17
Philip Morris	03/04	5.375	A	99.9100	5.39	+0.05	-0.23	+0.41
Finland FRN	09/02	3.820	AA	100.7349	4.27	+0.02	-0.28	-0.45
■ EURO FFR								
Austria	01/04	5.500	AAA	102.6600	4.98	+0.04	-0.22	+0.02
Abbey Nat	02/04	6.000	AA	104.6600	5.09	+0.02	-0.24	+0.13
Cred Foncier	02/04	9.125	A	119.0300	5.39	+0.03	-0.24	+0.43
3CIF FRN	12/01	3.750	AA-	99.8528	4.42	+0.03	-0.44	-0.18
■ EURO LIRA								
EIB	02/07	7.000	AAA	110.8100	5.49	+0.02	-0.29	-0.02
Abbey Nat	02/02	6.800	AA	105.7400	5.22	+0.04	-0.29	+0.18
Walt Disney	06/00	8.625	A	107.6600	5.22	+0.04	-0.24	+0.48
EIB FRN	03/01	5.825	AAA	100.2909	4.64	-0.01	-0.30	-0.25
■ EURO £								
EIB	12/07	7.625	AAA	107.5000	6.57	+0.02	-0.25	+0.37
Dresdner Bk	12/07	7.750	AA-	104.8680	7.05	+0.02	-0.20	+0.85
British Gas	03/00	7.625	A+	100.6381	7.28	+0.02	-0.29	+0.63
Abbey Nat FRN	02/02	7.830	AA	100.0254	6.44	+0.01	-0.33	-0.02
■ EURO $								
EIB	04/07	7.250	AAA	108.0170	6.09	+0.01	-0.18	+0.34
ABN Amro	06/07	7.125	AA-	105.0113	6.41	-0.02	-0.18	+0.66
Quebec	01/07	7.000	A+	103.5694	6.47	+0.01	-0.13	+0.72
Citicorp FRN	02/04	5.938	A+	99.2703	6.08	+0.01	+0.03	+0.35
■ EURO C$								
Bayer L-Bk	08/04	9.500	AAA	118.2818	6.05	+0.02	+0.17	+0.21
Toronto	05/04	8.500	AA+	113.2534	5.94	+0.02	+0.14	+0.10
Bell Canada	07/99	10.625	A+	106.8086	5.82	+0.02	+0.66	+0.20
Deutsche B FRN	09/02	5.875	AAA	101.2018	5.56	-	+0.08	-0.19
■ EURO YEN								
World Bank	03/02	5.250	AAA	116.9000	1.13	+0.04	+0.06	-
Spain	03/02	5.750	AA	118.8500	1.15	+0.03	+0.01	+0.02
Cred Foncier	08/02	4.750	A	113.5832	1.66	+0.04	+0.08	+0.53
Italy FRN	07/99	0.594	AA	100.3355	0.41	+0.03	+0.16	-0.20

London closing. Source: Interactive Data/FT Information. Standard & Poor's ratings. Yields: Local market standard/Annualised basis.

UK BONDS

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Mon Dec 29	Day's change %	Wed Dec 24	Accrued interest	xd adj. ytd
1 Up to 5 years (19)	120.20	-0.01	120.21	2.35	10.39
2 5-15 years (21)	159.94	-0.02	159.97	2.34	11.88
3 Over 15 years (4)	193.82	0.00	193.82	1.82	14.12
4 Irredeemables (4)	238.77	0.17	238.38	2.10	14.74
5 All stocks (48)	152.53	-0.01	152.54	2.33	11.88
Index-linked					
6 Up to 5 years (2)	213.01	0.02	212.96	1.50	6.09
7 Over 5 years (10)	218.52	0.02	218.47	1.67	5.76
8 All stocks (12)	216.86	0.02	216.81	1.82	5.76

UK Indices

	Low coupon yield Dec 29	Dec 24	Yr. ago	Medium coupon yield Dec 29	Dec 24	Yr. ago	High coupon yield Dec 29	Dec 24	Yr. ago
5 yrs	6.38	6.37	7.24	6.47	6.46	7.30	6.52	6.50	7.36
15 yrs	6.20	6.19	7.64	6.21	6.21	7.61	6.31	6.32	7.57
20 yrs	6.20	6.19	7.70	6.20	6.20	7.64	6.31	6.31	7.57
Irred.†	6.31	6.31	7.76						

	Inflation 5% Dec 29	Dec 24	Yr. ago	Inflation 10% Dec 29	Dec 24	Yr. ago
Up to 5 yrs	3.01	3.01	3.16	2.27	2.26	2.47
Over 5 yrs	3.00	3.00	3.53	2.79	2.79	3.33

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Dec 29	Dec 24	Dec 23	Dec 22	Dec 19	Yr ago	High*	Low*
Govt. Secs. (UK)	102.15	102.13	102.03	101.70	101.81	94.47	101.83	93.31
Fixed Interest	135.15	134.92	134.81	134.44	134.10	116.88	134.23	115.32

© FTSE International Ltd 1997. All rights reserved. * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 134.23 (16/12/97), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts" (Lives up to Five Years)						
Treas 4¾pc 1998‡‡	3.98	6.88	116¼	-	116¼	113[illegible]
Exch 9¾pc 1998	9.74	7.24	100[illegible]	-	103¼	100[illegible]
Treas 7¼pc 1998‡‡	7.25	7.20	100[illegible]	-	101[illegible]	100
Treas 15½pc '98‡‡	14.62	7.07	106	[illegible]	114[illegible]	106
Exch 12pc 1998	11.52	7.05	104[illegible]	[illegible]	108[illegible]	104[illegible]
Treas 9½pc 1999‡‡	9.27	6.96	102[illegible]	[illegible]	105[illegible]	102[illegible]
Treas Flg Rate 1999‡‡	-	-	100[illegible]	[illegible]	100[illegible]	100[illegible]
Exch 12¼pc 1999	11.54	6.93	106[illegible]	[illegible]	111[illegible]	106[illegible]
Treas 10½pc 1999	10.02	6.84	104[illegible]	[illegible]	108[illegible]	104½
Treas 6pc 1999 ‡‡	6.07	6.74	98[illegible]	[illegible]	99[illegible]	96[illegible]
Conv 10¼pc 1999	9.67	6.90	106[illegible]	-	109[illegible]	105[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Treas 10pc 2003	8.57	6.45	118[illegible]	[illegible]	117[illegible]	111[illegible]
Treas 11½pc 2001-4	10.11	6.68	113[illegible]	[illegible]	116[illegible]	112[illegible]
Treas 10pc 2004	8.46	6.49	118[illegible]	[illegible]	119[illegible]	113
Funding 3½pc 1999-4	3.86	5.22	90[illegible]	[illegible]	90[illegible]	82[illegible]
Conv 9½pc 2004	8.11	6.37	117[illegible]	[illegible]	118[illegible]	109[illegible]
Treas 6¾pc 2004‡‡	6.60	6.34	102[illegible]	[illegible]	102[illegible]	94[illegible]
Conv 9½pc 2005	8.05	6.29	118[illegible]	[illegible]	122[illegible]	110[illegible]
Exch 10½pc 2005	8.41	6.39	124[illegible]	[illegible]	125[illegible]	117[illegible]
Treas 12½pc 2003-5	9.67	6.45	129[illegible]	[illegible]	130[illegible]	124[illegible]
Treas 8½pc 2005‡‡	7.48	6.29	113[illegible]	[illegible]	114[illegible]	104[illegible]
Conv 9¾pc 2006	7.90	6.27	123[illegible]	[illegible]	123[illegible]	113[illegible]
Treas 7½pc 2006‡‡	6.92	6.26	108[illegible]	[illegible]	108[illegible]	98[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Index-Linked Notes	Yield (1)	Yield (2)	Price £	+ or -	52 week High	52 week Low
2½pc '99 (b)	2.38	2.96	188[illegible]	-	188[illegible]	179[illegible]
2½pc '01 (78.3)	3.00	3.31	194[illegible]	[illegible]	194[illegible]	184[illegible]
2½pc '03 (78.8)	2.99	3.20	192½	[illegible]	192[illegible]	180[illegible]
4⅝pc '04‡‡ (135.6)	2.97	3.15	124[illegible]	[illegible]	124[illegible]	117[illegible]
2pc '06 (69.5)	3.00	3.13	206[illegible]	[illegible]	206[illegible]	190
2½pc '09 (78.8)	2.97	3.08	186[illegible]	[illegible]	186[illegible]	170[illegible]
2½pc '11 (74.6)	2.98	3.08	196[illegible]	[illegible]	197[illegible]	175[illegible]
2½pc '13 (89.2)	2.98	3.07	163[illegible]	-	164[illegible]	144[illegible]
2½pc '16 (81.6)	2.99	3.06	176[illegible]	[illegible]	177[illegible]	153[illegible]
2½pc '20 (83.0)	3.01	3.07	171[illegible]	[illegible]	172[illegible]	147[illegible]
2½pc '24‡‡ (97.7)	3.00	3.06	144[illegible]	-	145[illegible]	122[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

CURRENCIES AND MONEY

Intervention prospect helps yen

MARKETS REPORT

By Robert Chote

Eisuke Sakakibara, vice-minister for international affairs in Tokyo, yesterday lived up to his "Mr Yen" nickname as the markets digested his weekend threat to intervene to support the Japanese currency.

Mr Sakakibara said on Sunday that the Japanese authorities were determined to stop excessive yen weakness. "If necessary, we will not hesitate to intervene in the market in a way which would be surprising to the market", the minister said.

In thin holiday season trading, Mr Sakakibara's warning prompted brisk selling of the D-mark against the yen, taking the German currency below DM73.

The US dollar proved relatively resilient against the yen, but edged below Y130 against the Japanese currency. Analysts said that the dollar had been insulated in part by a strong performance on Wall Street, which saw the Dow Jones Industrial Average rise sharply.

The dollar put in a sprightly performance against the D-mark, surpassing its pre-Christmas highs. In London it closed at DM1.7836, more than a pfennig up, before breaching DM1.79 in New York.

■ Hopes that commercial banks in the US and other leading industrial countries would roll over loans owed to them by South Korean banks gave a fillip to the beleaguered Korean won.

The Korean currency ended Far Eastern trading at 1,395, against the dollar, about 7 per cent up on Friday's closing rate. Analysts said that the currency had reacted favourably to indications that US banks in particular would help the country meet its short-term obligations. Dealers predicted that the won would make further progress if the banks' help materialised, although it edged slightly lower in Europe.

Commercial and investment bank officials met at the Federal Reserve Bank of New York yesterday, and then at the headquarters of investment bank JP Morgan.

Notwithstanding the crisis which has gripped the region's currency markets in recent months, trading in Asian currencies was meagre yesterday with interbank activity thin on the ground.

The won's progress helped the Hong Kong dollar in *early trade, but it was* unable to hold all its gains. Interest rates rose a little, reflecting a typical year-end tightening of liquidity and a warning from the Kong Kong Monetary Authority that the currency might come under pressure again.

George Leung, economic adviser at Hongkong and Shanghai Banking Corporation, also warned that the *Hong Kong dollar could* weaken further if Asian turmoil persisted.

The Indonesian central bank prompted a spike in the rupiah by intervening in its support at 5,300 to the dollar. The Singapore dollar and Malaysian ringgit were little moved.

■ Sterling clambered its way back towards DM3 yesterday, helped by the dollar's strength against the German currency and expectations that UK interest rates may well have further to rise.

Against a trade-weighted basket of other currencies, the pound had closed at 104.8 per cent of its 1990 value on Christmas Eve. It opened half a percentage point higher yesterday morning and – notwithstanding some slippage during the morning – gained further ground to close at 105.6 per cent.

Most of the gains were against the D-mark. Sterling climbed almost three pfennigs pfennigs from its last close, to end the day at DM2.9869. Against the US dollar, sterling rose by less than half a cent to $1.6746.

From an initial position of conspicuous overvaluation, most analysts expect sterling to depreciate significantly against the D-mark during 1998. David Walton, at Goldman Sachs, predicts that sterling will drop towards his DM2.60 estimate of "fair value" during 1998.

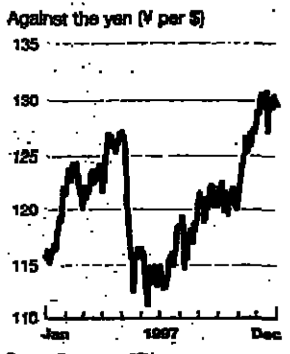
"In the next few months the economy is set to slow, principally because of a worsening in net trade volumes". Mr Walton argues. "This would remove the twin support for sterling of the positive growth differen*tial versus Europe and of a* benign trend in the balance of payments". However, sterling's decline may not be imminent, he believes.

■ Pound in New York

Dec 29	—Latest—	— Prev. close —
£ spot	1.6700	1.6780
1 mth	1.6679	1.6760
3 mth	1.6630	1.6713
1 yr	1.6443	1.6530

Dollar

Against the yen (Y per $)



Source: Datastream/ICV

■ OTHER CURRENCIES

Dec 29	£	$
Czech Rp	57.6945 - 57.7960	34.4630 - 34.5030
Hungary	340.813 - 341.101	203.580 - 203.630
Iran	5025.30 - 5022.30	3000.00 - 3000.00
Kuwait	0.5096 - 0.5101	0.3044 - 0.3045
Poland	5.8175 - 5.8377	3.4750 - 3.4850
Russia	10031.2 - 10042.2	5992.00 - 5995.00
U.A.E.	6.1480 - 6.1525	3.6724 - 3.6729

POUND SPOT FORWARD AGAINST THE POUND

Dec 29		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	21.0152	+0.1734	034 - 269	21.0269	20.9041	20.9518	3.6	20.8236	3.6	20.3462	3.2	102.5
Belgium	(BFr)	61.6287	+0.4935	019 - 554	61.6950	61.3210	61.4376	3.7	61.047	3.8	59.546	3.4	101.9
Denmark	(DKr)	11.3814	+0.1034	755 - 873	11.3946	11.3157	11.3469	3.6	11.2798	3.6	11.029	3.1	104.2
Finland	(FM)	9.0462	+0.0786	393 - 531	9.0580	8.9900	9.0158	4.0	8.9583	3.9	8.7479	3.3	80.7
France	(FFr)	9.9941	+0.0887	894 - 987	10.0036	9.9391	9.9626	3.8	9.9001	3.8	9.6506	3.4	105.5
Germany	(DM)	2.9869	+0.0271	853 - 884	2.9913	2.9702	2.9775	3.8	2.9589	3.7	2.8847	3.4	103.1
Greece	(Dr)	471.191	+4.373	857 - 524	471.879	466.506	474.649	-8.8	481.424	-8.7	511.082	-8.5	65.2
Ireland	(I£)	1.1582	+0.0021	570 - 593	1.1593	1.1561	1.1573	0.9	1.1539	1.5	1.1308	2.4	95.9
Italy	(L)	2935.83	+32.62	369 - 796	2938.45	2916.36	2932.39	1.4	2924.15	1.6	2868.74	2.3	75.7
Luxembourg	(LFr)	61.6287	+0.4935	019 - 554	61.6950	61.3210	61.4376	3.7	61.047	3.8	59.546	3.4	101.9
Netherlands	(Fl)	3.3655	+0.0302	639 - 671	3.3700	3.3492	3.3542	4.0	3.3327	3.9	3.2487	3.5	101.2
Norway	(NKr)	12.2486	+0.075	444 - 527	12.2682	12.1927	12.2092	3.9	12.1352	3.7	11.8792	3.0	98.0
Portugal	(Es)	305.531	+2.852	356 - 706	305.809	303.835	304.945	2.3	303.581	2.6	297.012	2.8	91.4
Spain	(Pta)	252.948	+2.138	789 - 106	253.170	251.450	252.451	2.4	251.297	2.6	245.74	2.8	78.7
Sweden	(SKr)	13.1099	+0.1517	018 - 180	13.1231	13.0106	13.081	2.6	13.0237	2.6	12.828	2.1	85.1
Switzerland	(SFr)	2.4207	+0.0257	191 - 222	2.4247	2.4010	2.4087	5.9	2.3855	5.8	2.2912	5.4	108.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	105.6
Ecu	-	1.5097	+0.0128	089 - 105	1.5109	1.5018	1.5058	3.1	1.4979	3.1	1.4652	2.9	-
SDR†	-	1.230980	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6743	+0.0053	738 - 748	1.6781	1.6721	-	-	-	-	-	-	-
Brazil	(R$)	1.8683	+0.0087	676 - 689	1.8726	1.8651	-	-	-	-	-	-	-
Canada	(C$)	2.4090	+0.0122	074 - 105	2.4150	2.4039	2.403	3.0	2.3932	2.6	2.3601	2.0	81.9
Mexico	(New Peso)	13.5350	-0.0659	234 - 465	13.5418	13.5393	13.6826	-13.1	13.9587	-12.5	15.1269	-11.8	-
USA	($)	1.6746	+0.0046	741 - 751	1.6788	1.6730	1.6724	1.5	1.6677	1.7	1.6491	1.5	108.7
Pacific/Middle East/Africa													
Australia	(A$)	2.5569	+0.0132	547 - 590	2.5630	2.5444	2.5515	2.5	2.5408	2.5	2.4996	2.2	85.1
Hong Kong	(HK$)	12.9773	+0.0368	726 - 820	13.0082	12.9683	12.9734	0.4	13.0355	-1.8	13.4727	-3.8	-
India	(Rs)	65.6611	+0.2867	247 - 974	65.8850	65.6230	-	-	-	-	-	-	-
Israel	(Shk)	5.9125	+0.005	029 - 220	5.9243	5.9061	-	-	-	-	-	-	-
Japan	(Y)	217.572	+0.186	466 - 679	218.650	217.466	216.327	6.9	213.762	7.0	203.057	6.7	118.7
Malaysia	(M$)	6.5146	+0.0932	047 - 245	6.5385	6.4584	6.4896	4.6	6.4794	2.2	6.5888	-1.1	-
New Zealand	(NZ$)	2.8687	+0.0087	661 - 713	2.8793	2.8661	2.8716	-1.2	2.8766	-1.1	2.8933	-0.9	102.4
Philippines	(Peso)	67.2353	+0.5208	640 - 065	68.5930	66.9640	68.4868	-22.4	70.2655	-18.0	77.8534	-15.8	-
Saudi Arabia	*(SR)*	*6.2809*	*+0.0171*	*787 - 830*	*6.2963*	*6.2754*	*6.2729*	*1.5*	*6.2575*	*1.5*	*6.1973*	*1.3*	-
Singapore	(S$)	2.7916	+0.0003	891 - 941	2.8056	2.7891	2.8048	-5.7	2.8076	-2.3	2.8192	-1.0	-
South Africa	(R)	8.1436	+0.0285	386 - 485	8.1607	8.1358	8.1981	-8.0	8.2939	-7.4	8.6741	-6.5	-
South Korea	(Won)	2394.69	-115.2	048 - 890	2517.75	2298.88	-	-	-	-	-	-	-
Taiwan	(T$)	54.7552	+0.2054	196 - 908	54.9385	54.7196	54.7041	1.1	54.5838	1.3	54.1086	1.2	-
Thailand	(Bt)	78.0365	-0.9522	457 - 272	78.5680	76.2810	78.6902	-10.1	79.4661	-7.3	84.2721	-8.0	-

† Rates for Dec 24. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 29		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan index
Europe													
Austria	(Sch)	12.5494	+0.0889	461 - 526	12.5494	12.4610	12.5274	2.1	12.4864	2.0	12.3374	1.7	102.4
Belgium	(BFr)	36.8020	+0.193	970 - 070	36.8100	36.5500	36.7345	2.2	36.6355	2.1	36.107	1.9	102.1
Denmark	(DKr)	6.7965	+0.043	950 - 980	6.8060	6.7482	6.7846	2.1	6.7637	1.9	6.6877	1.6	103.9
Finland	(FM)	5.4020	+0.032	995 - 045	5.4082	5.3583	5.3906	2.5	5.3716	2.2	5.3045	1.8	80.4
France	(FFr)	5.9680	+0.0365	670 - 690	5.9700	5.9270	5.9567	2.3	5.9363	2.1	5.8518	1.9	105.2
Germany	(DM)	1.7836	+0.0112	832 - 840	1.7860	1.7709	1.7803	2.3	1.7743	2.1	1.7492	1.9	103.0
Greece	(Dr)	281.375	+1.835	260 - 490	281.710	277.930	283.8	-10.3	288.675	-10.4	309.905	-10.1	65.1
Ireland	(I£)	1.4459	+0.0014	449 - 469	1.4506	1.4449	1.445	0.7	1.4451	0.2	1.4585	-0.9	-
Italy	(L)	1753.15	+14.65	240 - 390	1754.50	1738.00	1753.33	-0.1	1753.4	-0.1	1739.53	0.8	75.7
Luxembourg	(LFr)	36.8020	+0.193	970 - 070	36.8100	36.5500	36.7345	2.2	36.6055	2.1	36.107	1.9	102.1
Netherlands	(Fl)	2.0098	+0.0125	094 - 101	2.0130	1.9962	2.0056	2.5	1.9984	2.3	1.97	2.0	101.4
Norway	(NKr)	7.3143	+0.0245	140 - 146	7.3282	7.2823	7.3001	2.3	7.2756	2.1	7.2032	1.5	97.4
Portugal	(Es)	182.450	+1.2	400 - 500	182.500	181.400	182.33	0.8	182.035	0.9	180.1	1.3	92.2
Spain	(Pta)	151.050	+0.86	000 - 100	151.100	150.000	150.945	0.8	150.685	1.0	149.01	1.4	76.6
Sweden	(SKr)	7.8287	+0.0691	262 - 312	7.8393	7.7551	7.8214	1.1	7.8084	1.0	7.7786	0.6	85.3
Switzerland	(SFr)	1.4455	+0.0113	450 - 460	1.4475	1.4310	1.4402	4.4	1.4304	4.2	1.3893	3.9	108.3
UK	(£)	1.6746	+0.0046	741 - 751	1.6788	1.6730	1.6724	1.5	1.6677	1.7	1.6491	1.5	104.6
Ecu	-	1.1093	-0.0064	090 - 095	1.1164	1.1090	1.1107	-1.6	1.1135	-1.5	1.1256	-1.5	-
SDR†	-	0.73778	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	+0.0004	998 - 998	0.9998	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.1157	+0.0009	156 - 157	1.1158	1.1156	-	-	-	-	-	-	-
Canada	(C$)	1.4385	+0.0032	380 - 390	1.4390	1.4357	1.4368	1.4	1.4349	1.0	1.431	0.5	82.2
Mexico	(New Peso)	8.0825	-0.082	780 - 870	8.0900	8.0850	8.181	-14.6	8.37	-14.2	9.1725	-13.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	109.4
Pacific/Middle East/Africa													
Australia	(A$)	1.5268	+0.0036	260 - 277	1.5277	1.5267	1.526	0.6	1.5234	0.9	1.5127	0.9	85.9
Hong Kong	(HK$)	7.7495	+0.0005	490 - 500	7.7500	7.7480	7.757	-1.2	7.8165	-3.5	8.1695	-5.4	-
India	(Rs)	39.2100	+0.0625	000 - 200	39.2550	39.1850	-	-	-	-	-	-	-
Israel	(Shk)	3.5307	-0.0069	260 - 353	3.5390	3.5260	-	-	-	-	-	-	-
Japan	(Y)	129.925	-0.25	900 - 950	130.270	129.800	129.345	5.4	128.18	5.4	123.13	5.2	119.3
Malaysia	(M$)	3.8903	+0.045	855 - 950	3.8980	3.8500	3.8803	3.1	3.8853	0.5	3.9953	-2.7	-
New Zealand	(NZ$)	1.7131	-0.0007	120 - 141	1.7141	1.7151	1.7162	-2.2	1.7216	-2.0	1.7404	-1.6	-
Philippines	(Peso)	40.1500	+0.2	000 - 000	41.0000	40.0000	40.9505	-23.9	42.133	-19.8	47.2075	-17.6	-
Saudi Arabia	*(SR)*	*3.7507*	*-0.0002*	*505 - 509*	*3.7508*	*3.7506*	*3.7507*	*0.0*	*3.7522*	*-0.2*	*3.7579*	*-0.2*	-
Singapore	(S$)	1.6670	-0.0045	660 - 680	1.6720	1.6660	1.677	-7.2	1.6835	-4.0	1.7095	-2.5	-
South Africa	(R)	4.8630	+0.0035	615 - 645	4.8645	4.8602	4.9018	-9.6	4.9733	-9.1	5.2598	-8.2	-
South Korea	(Won)	1430.00	-73	000 - 000	1500.00	1370.00	-	-	-	-	-	-	-
Taiwan	(T$)	32.6975	+0.032	860 - 090	32.7600	32.6880	32.7085	-0.4	32.73	-0.4	32.81	-0.3	-
Thailand	(Bt)	46.6000	-0.7	000 - 000	47.7000	45.5000	47.05	-11.6	47.65	-9.0	51.1	-8.7	-

† SDR rate per $ for Dec 24. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 24: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

December 29	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3 [illegible]	3 [illegible]	3 [illegible]	3 [illegible]	4 [illegible]	6.00	2.75	-
France	3 [illegible]	3 [illegible]	3 [illegible]	3 [illegible]	3 [illegible]	4.60	-	3.30
Germany	3 [illegible]	3 [illegible]	3 [illegible]	3 [illegible]	3 [illegible]	4.50	2.50	3.30
Ireland	6 [illegible]	6 1/4	6 [illegible]	5 [illegible]	5 [illegible]	-	-	6.75
Italy	6 1/8	5 [illegible]	5 [illegible]	5 [illegible]	5 [illegible]	7.00	5.50	6.17
Netherlands	3 1/4	3 [illegible]	3 [illegible]	3 [illegible]	3 [illegible]	-	2.75	3.30
Switzerland	1 1/8	1 [illegible]	1 1/2	1 [illegible]	1 [illegible]	-	1.00	-
US	5 [illegible]	5 [illegible]	5 [illegible]	5 [illegible]	6 [illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5 [illegible]	5 [illegible]	5 [illegible]	5 [illegible]	-	-	-
US Dollar CDs	-	5.35	5.54	5.60	5.72	-	-	-
ECU Linked Ds	-	4 [illegible]	4 [illegible]	4 [illegible]	4 [illegible]	-	-	-
SDR Linked Ds	-	3 [illegible]	3 [illegible]	3 [illegible]	4 [illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Dec 29	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	3 5/8 - 3 1/4	[illegible]	[illegible]	3 5/8 - [illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	3 5/8 - [illegible]	3 [illegible] - 3 1/2	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible] - 5	[illegible]	[illegible]	5 - 5	[illegible]	[illegible]
Spanish Peseta	[illegible] - 5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	7 1/8 - 7	[illegible]	7 1/2 - 7 3/8	[illegible]	[illegible]	[illegible]
Swiss Franc	1 3/8 - 7/8	2 1/8 - 1 5/8	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	4 3/8 - 4 1/4	4 3/8 - 4 1/4	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	6 1/4 - 6	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	6 1/8 - 5 7/8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	1 1/4 - 1	1/2 - 1/4	1/2 - 1/4	[illegible]	[illegible]	[illegible]
Asian $Sing	1/2 - 1/4	4 1/4 - 4	6 1/4 - 5 3/4	6 3/4 - 6 1/2	7 - 6 1/2	7 - 6 1/2

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.25	96.23	-	96.25	96.22	4,807	80,409
Jun	96.13	96.10	-0.22	96.13	96.10	2,251	42,108
Sep	96.04	96.00	-0.26	96.04	96.00	1,090	31,104

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.24	96.22	-0.02	96.24	96.22	11669	370304
Jun	96.12	96.10	-0.03	96.13	96.09	13448	330394
Sep	96.01	95.99	-0.04	96.02	95.99	3638	242642
Dec	95.81	95.80	-0.03	95.81	95.79	2250	205370

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jan	-	96.43	+0.01	-	-	0	633
Feb	-	96.36	+0.01	-	-	0	133
Mar	-	96.29	-	-	-	0	100
Apr	-	96.26	-	-	-	0	50

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.70	94.67	-0.04	94.70	94.67	8489	152145
Jun	95.36	95.36	-0.01	95.37	95.35	2910	129224
Sep	95.67	95.63	-0.02	95.66	95.62	1688	93407
Dec	95.64	95.63	-0.02	95.64	95.63	1308	66230

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.30	98.33	+0.04	98.33	98.30	2008	71001
Jun	98.16	98.18	+0.03	98.19	98.16	951	30229
Sep	98.03	98.05	+0.04	98.05	98.03	386	15863
Dec	97.82	97.84	+0.04	97.84	97.82	170	7920

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.09	99.09	-0.04	99.11	99.09	860	n/a
Jun	-	99.19	-0.06	-	-	0	n/a
Sep	-	99.20	-0.06	-	-	0	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.56	95.57	-0.01	95.56	95.56	23	9155
Jun	95.60	95.57	-0.02	95.60	95.60	3	6199
Sep	95.59	95.58	-0.02	95.59	95.59	17	8102
Dec	95.68	95.67	-0.02	95.68	95.66	40	3999

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9450	0.26	0.89	1.16	0.09	0.03	0.03
9475	0.12	0.66	0.93	0.20	0.05	0.05
9500	0.05	0.45	0.71	0.38	0.09	0.08

Est. vol. total, Calls 284 Puts 1534. Previous day's open int., Calls 159922 Puts 52034

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 29		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.47	16.22	4.846	1.879	4764	5.461	19.87	495.8	410.4	21.27	3.928	1.623	3.909	2.717	353.0	2.450
Denmark	(DKr)	54.15	10	8.781	2.624	1.018	2579	2.957	10.76	268.4	222.2	11.52	2.127	0.879	2.117	1.471	191.2	1.326
France	(FFr)	61.67	11.39	10	2.989	1.159	2938	3.368	12.26	305.7	253.1	13.12	2.422	1.001	2.410	1.676	217.7	1.511
Germany	(DM)	20.63	3.811	3.346	1	0.388	982.9	1.127	4.101	102.3	84.69	4.389	0.810	0.335	0.807	0.561	72.84	0.505
Ireland	(I£)	53.21	9.827	8.629	2.579	1	2535	2.906	10.58	263.8	218.4	11.32	2.090	0.863	2.080	1.446	187.9	1.303
Italy	(L)	2.099	0.388	0.340	0.102	0.039	100	0.115	0.417	10.41	8.616	0.447	0.082	0.034	0.082	0.057	7.411	0.051
Netherlands	(Fl)	18.31	3.382	2.969	0.887	0.344	872.3	1	3.639	90.78	75.16	3.895	0.719	0.297	0.716	0.498	64.65	0.449
Norway	(NKr)	50.32	9.292	8.159	2.439	0.946	2397	2.748	10	249.4	206.5	10.70	1.976	0.816	1.967	1.367	177.6	1.232
Portugal	(Es)	20.17	3.725	3.271	0.978	0.379	960.9	1.102	4.009	100	82.79	4.291	0.792	0.327	0.788	0.548	71.21	0.494
Spain	(Pta)	24.36	4.500	3.951	1.181	0.458	1161	1.331	4.842	120.8	100	5.183	0.957	0.395	0.952	0.662	86.01	0.597
Sweden	(SKr)	47.01	8.682	7.623	2.278	0.883	2239	2.567	9.343	233.1	192.9	10	1.846	0.763	1.837	1.277	166.0	1.152
Switzerland	(SFr)	25.46	4.702	4.129	1.234	0.478	1213	1.390	5.060	126.2	104.5	5.416	1	0.413	0.995	0.692	89.88	0.624
UK	(£)	61.63	11.38	9.994	2.987	1.158	2936	3.366	12.25	305.5	252.9	13.11	2.421	1	2.409	1.675	217.6	1.510
Canada	(C$)	25.58	4.725	4.149	1.240	0.481	1219	1.397	5.085	126.8	105.0	5.442	1.005	0.415	1	0.695	90.32	0.627
USA	($)	36.80	6.797	5.968	1.784	0.692	1753	2.010	7.314	182.5	151.1	7.829	1.446	0.597	1.439	1	129.9	0.901
Japan	(Y)	28.33	5.231	4.593	1.373	0.532	1349	1.547	5.630	140.4	116.3	6.026	1.113	0.460	1.107	0.770	100	0.694
Ecu	-	40.82	7.539	6.620	1.979	0.767	1945	2.229	8.114	202.4	167.6	8.684	1.604	0.662	1.596	1.109	144.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.5663	0.5665	-0.0004	0.5670	0.5658	7,530	68,053
Jun	0.5687	0.5693	-0.0004	0.5688	0.5692	17	4,412
Sep	-	0.5718	-0.0004	0.5705	-	7	140

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.7035	0.7041	-0.0005	0.7050	0.7034	2,260	35,701
Jun	-	0.7111	-0.0005	0.7120	0.7110	1	1,441
Sep	-	0.7180	-0.0005	0.7160	-	6	110

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.7769	0.7758	-0.0040	0.7778	0.7755	5,344	85,063
Jun	0.7885	0.7865	-0.0041	0.7885	0.7869	11	1,673
Sep	-	0.7971	-0.0042	0.8020	-	18	1,372

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	1.6626	1.6724	+0.0098	1.6744	1.6625	1,588	30,329
Jun	1.6565	1.6658	+0.0098	1.6680	1.6566	2	1,315
Sep	-	1.6592	+0.0098	-	-	7	4

UK INTEREST RATES

LONDON MONEY RATES

Dec 29	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 1/4 - 6 1/2	7 3/8 - 7	7 1/2 - 7 3/8	7 [illegible] - 7 [illegible]	7 [illegible] - 7 [illegible]	7 [illegible] - 7 [illegible]
Sterling CDs	-	-	7 [illegible] - 7 [illegible]	7 [illegible] - 7 1/2	7 [illegible] - 7 1/2	7 [illegible] - 7 1/2
Treasury Bills	-	-	7 1/4 - 7 1/8	7 3/8 - 7 [illegible]	-	-
Bank Bills	-	-	7 1/4 - 7 1/8	7 [illegible] - 7 [illegible]	7 3/8 - 7 1/4	-
Local authority deps.	7 [illegible] - 7	7 1/4 - 7 1/8	7 3/8 - 7 [illegible]	7 [illegible] - 7 [illegible]	7 5/8 - 7 [illegible]	7 [illegible] - 7 [illegible]
Discount Market deps	7 1/8 - 7	7 [illegible] - 7 [illegible]	-	-	-	-

UK clearing bank base lending rate 7¼ per cent from Nov 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Dec 24, 7.0054pc. ECGD fixed rate Stg. Export Finance. Make up day Nov 28, 1997. Agreed rate for period Dec 24, 1997 to Jan 28, 1998, Scheme III 8.84pc. Reference rate for period Nov 1, 1997 to Nov 28, 1997, Schemes IV & V 7.601pc. Finance House Base Rate 7½pc from Dec 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.46	92.45	-0.03	92.47	92.45	6226	139638
Jun	92.59	92.57	-0.02	92.59	92.56	6366	108898
Sep	92.72	92.70	-0.03	92.72	92.69	2476	83044
Dec	92.90	92.88	-0.03	92.90	92.88	801	78550
Mar	93.13	93.11	-0.02	93.13	93.11	307	66143

Also traded on APT. All Open Interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9225	0.25	0.40	0.56	0.05	0.08	0.11
9250	0.09	0.24	0.38	0.14	0.17	0.18
9275	0.02	0.11	0.23	0.32	0.29	0.28

Est. vol. total, Calls 1301 Puts 3050. Previous day's open int., Calls 164891 Puts 150616

EMS EUROPEAN CURRENCY UNIT RATES

Dec 29	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.767123	-0.004128	-3.95	6.97	27
Italy	1906.48	1943.36	+2.99	1.93	0.79	-14
Spain	163.826	167.493	+0.236	2.24	0.49	-16
Finland	5.85424	5.98976	+0.0061	2.31	0.42	-15
France	6.45863	6.61832	+0.00559	2.47	0.26	-21
Portugal	197.398	202.324	+0.153	2.50	0.24	-17
Denmark	7.34555	7.53614	+0.0065	2.59	0.14	-18
Germany	*1.92573*	*1.97787*	*+0.00163*	*2.71*	*0.03*	-27
Netherlands	2.16979	2.22876	+0.00156	2.72	0.02	-20
Austria	13.5485	13.9168	+0.0132	2.72	0.02	-20
Belgium	39.7191	40.8085	+0.0305	2.74	0.00	-20
NON ERM MEMBERS						
Greece	295.269	311.955	+0.298	5.65	-2.75	-
UK	0.793103	0.663622	-0.003592	-16.33	22.79	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jan	Feb	Mar	PUTS Jan	Feb	Mar
1.660	1.94	2.59	3.09	1.05	2.01	2.67
1.670	1.40	2.13	2.60	1.57	2.51	3.20
1.680	0.99	1.71	2.22	2.16	3.04	3.77

Previous day's vol., Calls n/a Puts n/a . Prev. day's open int., Calls n/a Puts n/a

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Jan	Feb	Mar	PUTS Jan	Feb	Mar
0.560	0.82	1.16	1.43	0.33	0.58	0.77
0.565	0.52	0.87	1.15	0.53	0.80	0.99
0.570	0.33	0.65	0.91	0.83	1.09	1.26

Previous day's vol., Calls n/a Puts n/a . Prev. day's open int., Calls n/a Puts n/a

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.20	94.22	+0.03	94.22	94.19	18,302	481,964
Jun	94.19	94.19	-0.02	94.20	94.19	11,345	396,123
Sep	94.14	94.15	-0.05	94.16	94.13	7,147	262,081

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.93	94.97	-	94.99	94.93	308	7,977
Jun	94.86	94.92	+0.01	94.95	94.89	82	1,258
Sep	-	94.90	+0.05	94.90	94.85	10	29

All Open Interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jan	Feb	Mar	Jun	PUTS Jan	Feb	Mar	Jun
9600	0.23	0.24	0.26	0.20	0.01	0.02	0.04	0.10
9625	0.03	0.05	0.07	0.10	0.06	0.08	0.10	0.25
9650	0.01	0.01	0.02	0.03	0.29	0.29	0.30	0.43
9675	0	0	0.01	0.01	0.53	0.53	0.54	0.66

Est. vol. total, Calls 0 Puts 145. Previous day's open int., Calls 261656 Puts 301421

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9850	0.06	0.07	0.08	0.23	0.39	0.53
9875	*0.02*	*0.02*	*0.03*	*0.44*	*0.59*	*0.73*

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 0 Puts 686

BASE LENDING RATES

	%		%		%
Adam & Company	7.25	Exeter Trust Limited	8.25	●Singer & Friedlander	7.25
Allied Irish Bank (GB)	7.25	Financial & Gen Bank	8.00	●Smith & Williamson	7.25
●Henry Ansbacher	7.25	●Robert Fleming & Co	7.25	Sun Banking Corp Ltd	7.25
Banco Bilbao Vizcaya	7.25	●Guinness Mahon	7.25	TSB	7.25
Bank of Cyprus	7.25	Habib Bank AG Zurich	7.25	United Bank of Kuwait	7.25
Bank of Ireland	7.25	●Hambros Bank	7.25	Unity Trust Bank Plc	7.25
Bank of India	7.25	Heritable & Gen Inv Bk	7.25	Whiteaway Laidlaw	7.25
Bank of Scotland	7.25	C. Hoare & Co	7.25	Yorkshire Bank	7.25
Barclays Bank	7.25	Hongkong & Shanghai	7.25		
Brit Bk of Mid East	7.25	Investec Bank (UK) Ltd	7.25	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	7.25	Julian Hodge Bank	7.25		
Citibank NA	7.25	●Leopold Joseph & Sons	7.25	* In administration	
Clydesdale Bank	7.25	Lloyds Bank	7.25		
The Co-operative Bank	7.25	Midland Bank	7.25		
Coutts & Co	7.25	NatWestminster	7.25		
Cyprus Popular Bank	7.25	●Rea Brothers	7.25		
Duncan Lawrie	7.25	Royal Bk of Scotland	7.25		
		Scottish Widows Bank	7.25		

COMMODITIES AND AGRICULTURE

Indonesia bans palm oil exports

By Sander Thoenes in Jakarta

Indonesia has banned exports of crude palm oil for the first quarter of 1998 to ensure domestic supplies, slowing development of a rapidly growing earner of export revenues.

One big palm oil producer has received a "very urgent" letter from the ministry for trade and industry, banning all exports of crude palm oil for the first quarter; the decision will be reviewed in February. Earlier export restrictions had brought about domestic sales of only 170,000 tons, compared with a government target of 250,000 tons of crude palm oil for December.

The move is the latest in a series of tightening restrictions on exports of crude and refined palm oil which started in November.

The restrictions are designed to keep down domestic prices of cooking oil during the Muslim fasting month, which starts on December 31.

Indonesia faces presidential elections in March and police have warned of possible unrest in January as basic foodstuffs become more expensive and companies, squeezed by mounting foreign debt, fail to pay wages. The price of cooking oil has recently risen sharply due to the shortfall in supply.

Crude palm oil is a commodity priced in dollars, rendering domestic sales ever less attractive as the rupiah lost more than half of its value in recent months.

In October the government started importing palm oil from Malaysia but the steady decline of the rupiah had rendered this option unaffordable.

"There were loopholes in the early export restrictions," said the director of one palm oil producer. "There were a lot of naughty players spoiling the game." Small traders had simply bought from producers and then exported the crude or refined palm oil, he added.

Indonesia is expected to surpass Malaysia as the world's largest producer of palm oil in the first decade of the next century.

The government predicts crude palm oil production will have reached 5.36m tons in 1997, against an industry estimate of 4.9m tons in 1996.

"The government should allow us to export," the director said, "otherwise we lose an opportunity and Malaysia will take it. It's a contradictory policy. The whole problem is because of the rupiah. We need dollars, don't we?"

Indonesia first announced the reintroduction of export quotas in November but indicated only a moderate change at first. The trade ministry later moved to restricting exports further to 20 per cent of the output of 17 leading producers, a move described by the industry as unfair and excessive.

Ukraine to offer farmers bigger say

Bread of Ukraine – a state-owned conglomerate that controls the storage and distribution of grain – is to be privatised. According to the law on agricultural privatisation, 51 per cent of shares in downstream enterprises will be given to the farmers, allowing them a higher return on their produce and stimulating production, writes Charles Clover in Kiev

With the break-up of the Soviet Union, many observers thought that Ukraine would rapidly join Argentina, Canada, the European Union and the US as one of the world's leading grain exporters, a position it had enjoyed at the beginning of this century, when it was known as the bread-basket of Europe.

But Ukrainian grain production has fallen sharply since the country's independence in 1991, countering expectations that, with the demise of central planning, market forces would come to the rescue.

Part of the problem is that in spite of reorganisation of farms and limited land reform, there is still a state monopoly in the storage, processing, and distribution of farm produce. However, the Ukrainian authorities are now contemplating a bold reform which may eventually restore the country's status as an agricultural powerhouse.

During 1998, Khlib Ukrajyny – Bread of Ukraine – a state-owned conglomerate that controls the storage and distribution of grain, is to be privatised. If handled well, this should significantly increase the efficiency of the marketing of Ukrainian agriculture, which will allow farmers a higher return on their produce and stimulate production.

Girgory Omelyanenko, chairman of Khlib Ukrajyny, explained that 100 out of some 550 of Khlib's enterprises will be privatised in the coming year. This target is widely believed to be optimistic because none have yet been sold and no preparations have been made for their sale, other than passing a law.

By December 1998, however, 343 additional enterprises will be sold, according to Mr Omelyanenko. If this actually happens, the change could be revolutionary. According to the law on agricultural privatisation, 51 per cent of shares in the downstream enterprises will be given to the farmers.

"This is to interest them, to give them motivation to be productive," said Mr Omelyanenko.

Currently, with outside monopolies controlling storage and distribution of grain, Ukraine's farmers face one of the most inefficient marketing sectors in the world. In 1996 for example, with world wheat prices at $235 a tonne, Ukrainian producers received $60 less a tonne than their American counterparts, due to excessive marketing costs.

"The problem of monopolistic provision of important grain marketing services is particularly insidious in Ukraine," said analyst Stephan Von Cramon Taubadel in a report on Ukrainian agriculture. "Monopolies in the areas of grain storage and transport are, at least in the short run, the result of physical bottlenecks."

Mr Von Cramon Taubadel said the amount of revenues denied to the productive sector last year as a result of this inefficiency was perhaps $1.5bn, which was desperately needed by farmers for key investments.

In the leading agricultural exporting countries, such as the US and Canada, farmers have some control over downstream activities by means of co-operatives, and competition in marketing is greater. Proponents of Ukraine's agricultural privatisation law are hoping that by giving farmers control over storage and distribution, such co-operatives might take root, making marketing more efficient.

But granting control of storage and distribution to the farmers is not simple. Some critics point out that the law on agricultural privatisation is a copy of a Russian law that was just as well-intentioned.

The results of the Russian effort at agricultural privatisation, though, was that while farmers were granted the shares in downstream enterprises, they ended up being acquired by managers of the enterprises themselves.

Past attempts at privatising Ukrainian agricultural industries have not been particularly successful in broadening ownership. In the privatisation of the fertiliser companies and agricultural service industries, local level organisations simply exchanged shares with each other, resulting in a web of cross-ownership.

Meanwhile, according to Mr Omelyanenko, up to a third of the shares in privatised Khlib Ukrajyny enterprises will be sold for cash to investors, both domestic and foreign, in order to generate much-needed investment, while the other 15 to 20 per cent will stay with employees of the enterprises; 100 enterprises will stay with Khlib Ukrajyny, after the rest are sold off.

"Khlib Ukrajyny is like Lenin. It will always be with us," was the cryptic opinion of one Ukrainian farmer.

Brent crude oil below $17 a barrel

MARKETS REPORT

By Gary Mead

The world's oil markets slipped markedly yesterday as Brent blend, the international benchmark, traded on the International Petroleum Exchange below the $17 a barrel mark for the first time since May 1996.

February dated Brent was down 55 cents to $16.42 a barrel in late trading; on the New York Mercantile Exchange, February crude was 27 cents lower, at $17.93 a barrel, in early trading.

The bearish mood was attributed by traders to several factors, including the exceptionally mild northern hemisphere winter, the likelihood of Iraqi exports shortly resuming, and continuing worries over the economic stability of south-east Asia. Speculators were also thought to be taking advantage of these factors, betting that crude oil prices may have even further to fall in the short term.

On the London Metal Exchange three-month copper came under pressure, closing at $1,726 a tonne, $34 lower than last Wednesday's midday close. Business, however, was very slow and trading volumes very thin.

Among soft commodities on the London Financial Futures Exchange, business was also lacklustre, with the March contract for coffee finishing just $2 lower, at $1,685 a tonne.

March cocoa also ended lower at £1,057 a tonne, down £16, amid very thin volumes of just 1,618 lots.

The subdued mood partly reflected the holiday period, but was also coloured by uncertainty concerning the probable closure of the cocoa trading operations of Phibro, which is believed to control some 25 per cent of the world's cocoa stocks.

Big cement surplus seen for SE Asia

By Gary Mead

The financial crisis in south-east Asia is likely to lead to a substantial oversupply of cement in the region in 1998, reinforcing the already gloomy economic prognosis for the region.

Furthermore, physical barriers will prevent Asia's cement producers from being able to export much of the surplus, and this is likely to mean capacity closures and a tighter squeeze on jobs.

According to new report from Flemings, the investment banking group, regional over-supply of cement will be between 20.8m and 39.8m tonnes (of a projected production total of 221.5m tonnes in the region) given the severe economic slowdown in countries such as Indonesia, Thailand, Malaysia and South Korea. In 1996 global cement exports were about 95m tonnes.

In Thailand alone, the report says, cement consumption levels in the last two months of 1997 were running 25 per cent lower than in the same period of 1996. The report draws comparison with the devaluation of the Mexican peso, when demand for cement fell by 29 per cent in 1995.

Flemings estimates that the region's leading cement producers will find it difficult to shift their surplus to developing countries within the region, such as Burma, Vietnam and Cambodia. "We would estimate the maximum potential market for exports to these three countries to be 2.5m to 3m tonnes, which is 14.4 per cent of the total Asian oversupply," it said.

Another potential market for south-east Asian exporters, Australia, is also likely to be difficult to break into, as the cement industry is highly concentrated and vertically integrated. "Seventy per cent of cement production and 70-75 per cent of ready-mixed concrete production is in the hands of three companies," Flemings said.

Several factors are likely to block the ability of the region's cement producers to export significant volumes of cement:

- insufficient numbers of deepwater ports will hinder offloading the surplus
- the development of branding preferences in Latin America, particularly Mexico, will disadvantage south-east Asian exports
- although global freight rates have fallen recently, shipbrokers argue there may be a lack of vessels willing and able to handle dirty cement product
- despite US cement consumption growing by more than 5 per cent annually in the first half of 1997, and imports running at more than 15 per cent of total consumption in the first quarter of the year, the ability of south-east Asian producers to take advantage of that demand will probably be thwarted by substantial fresh US capacity coming on-stream.

Flemings expects the "potential demand for Asian [cement] exports next year is unlikely to exceed 13.5m tonnes, as compared with supply of at least 20.8m tonnes".

It adds that the Asian cement industry "is likely to undergo a painful period of readjustment" and will entail "temporary or even permanent capacity closures in the Asian region" which, however, in the medium term, "could enhance sectoral profitability".

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1493-94	1522-23
Previous	1495-96	1523-24
High/low		1527/1516
AM Official	1487.5-88	1517-17.5
Kerb close		1525-26
Open int.	262,214	
Total daily turnover	106,636	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1355-65	1375-85
Previous	1365-70	1388-90
High/low		1390/1380
AM Official	1350-60	1375-80
Kerb close		1380-85
Open int.	5,618	
Total daily turnover	1,224	

■ LEAD ($ per tonne)

Close	527.5-9.5	534-6
Previous	536-6.5	541-2
High/low		541/525
AM Official	527-8	534-5
Kerb close		536-7
Open int.	33,605	
Total daily turnover	8,552	

■ NICKEL ($ per tonne)

Close	5875-85	5975-80
Previous	5865-70	5960-65
High/low		5360/5320
AM Official	5840-45	5940-50
Kerb close		5350-65
Open int.	53,681	
Total daily turnover	21,411	

■ TIN ($ per tonne)

Close	5330-40	5355-60
Previous	5310-20	5320-25
High/low		5370/5340
AM Official	5310-20	5340-45
Kerb close		5360-70
Open int.	14,932	
Total daily turnover	1,738	

■ ZINC, special high grade ($ per tonne)

Close	1085-87	1100-10
Previous	1080-4	1104-5
High/low		1112/1099
AM Official	1077-78	1102-03
Kerb close		1109-10
Open int.	51,902	
Total daily turnover	20,245	

■ COPPER, grade A ($ per tonne)

Close	1696-97	1726-27
Previous	1726-7	1755-6
High/low		1752/1720
AM Official	1699-700	1720-31
Kerb close		1725-26
Open int.	147,281	
Total daily turnover	51,156	

■ LME AM Official £/$ rate: 1.6751
LME Closing £/$ rate: 1.6745

Spot 1.6737 3 mths 1.6521 6 mths 1.6530 9 mths 1.6537

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	76.00	-0.70	78.75	76.10	456	555
Jan	76.50	-1.15	77.10	76.30	219	3,773
Feb	77.15	-1.20	77.50	77.00	4	2,340
Mar	77.70	-1.20	78.50	77.40	1,202	35,694
Apr	78.20	-1.20	78.90	78.30	19	1,537
May	78.70	-1.20	79.60	78.50	14	5,220
Total					1,927	71,628

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv.	SFr equiv.
Close	291.65-292.15		
Opening	294.05-294.75		
Morning fix	293.90	175.24	421.75
Afternoon fix	293.25	174.57	421.52
Day's High	294.55-294.75		
Day's Low	291.50-292.10		
Previous close	295.75-296.25		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.33	6 months	4.00
2 months	3.54	12 months	4.01
3 months	3.66		

Silver Fix	p/troy oz.	US cts equiv.
Spot	372.20	624.00
3 months	374.90	625.35
6 months	376.25	624.00
1 year	375.45	620.85

Gold Coins	$ price	£ equiv.
Krugerrand	287.5-290.5	172-175
Maple Leaf	-	-
New Sovereign	66-69	29-41

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	291.8	-3.4	294.0	292.5	66	33
Jan	291.8	-3.5	-	-	-	2
Feb	292.5	-3.7	296.2	291.5	6,029	92,808
Apr	294.2	-3.7	296.9	293.0	248	12,806
Jun	296.2	-3.7	299.0	295.0	58	11,289
Aug	298.2	-3.7	300.0	299.8	1	5,484
Total					6,430	180,278

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jan	365.5	-0.5	367.0	363.5	121	4,144
Apr	361.0	-1.1	362.5	359.0	418	8,827
Jul	359.5	-1.1	361.0	359.0	3	307
Oct	359.5	-1.1	-	-	6	13
Total					668	13,291

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Mar	197.75	-0.65	199.80	197.00	214	3,573
Jun	196.25	-0.65	-	-	1	250
Sep	193.25	-0.65	-	-	-	4
Total					220	3,848

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Dec	628.0	-2.7	629.0	618.0	40	219
Jan	629.0	-2.5	620.5	620.5	2	8
Mar	633.0	-2.0	635.0	620.0	4,020	88,146
May	633.5	-1.5	634.0	623.0	119	7,276
Jul	633.5	-1.5	634.0	623.0	117	7,358
Sep	633.5	-1.5	626.0	626.0	1	1,516
Total					4,446	98,628

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	17.90	-0.30	18.20	17.85	11,784	117.0k
Mar	18.09	-0.24	18.34	18.07	3,062	47,789
Apr	18.28	-0.18	18.50	18.27	1,494	27,380
May	18.44	-0.15	18.62	18.42	1,266	21,793
Jun	18.55	-0.13	18.75	18.55	1,082	33,409
Jul	18.61	-0.12	18.70	18.61	89	19,077
Total					21,804	401,818

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	16.93	-0.40	17.18	16.90	13,678	74,570
Mar	17.07	-0.33	17.31	17.06	4,536	39,827
Apr	17.19	-0.31	17.33	17.17	3,824	16,944
May	17.29	-0.30	17.43	17.23	740	11,671
Jun	17.34	-0.30	17.50	17.30	2,192	18,777
Jul	17.37	-0.33	17.45	17.37	120	6,494
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	49.50	-0.54	50.30	49.25	4,968	22,627
Feb	50.05	-0.49	50.50	49.80	4,800	49,031
Mar	50.25	-0.44	50.85	50.10	1,029	20,365
Apr	50.40	-0.29	50.75	50.30	1,086	12,002
May	50.50	+0.11	50.55	50.25	141	8,630
Jun	50.45	+0.16	50.65	50.10	223	11,070
Total					13,827	146,416

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	152.50	-5.25	156.00	152.50	7,404	26,267
Feb	154.25	-4.25	156.75	154.00	3,517	16,554
Mar	155.25	-4.50	157.50	155.00	1,969	11,561
Apr	156.25	-4.00	158.75	156.50	945	4,990
May	156.75	-3.75	158.25	157.00	184	3,113
Jun	157.00	-3.50	159.00	157.00	521	11,650
Total					4,336	90,379

■ NATURAL GAS IPE (1,000 therms; pence per therm)

Jan	16.300	+0.050	-	-	-	2,360
Feb	16.380	+0.010	-	-	-	3,430
Total					5	12,470

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	2.315	+0.063	2.350	2.300	29,940	29,916
Feb	2.295	+0.052	2.320	2.270	6,445	40,780
Mar	2.255	+0.036	2.275	2.240	2,769	25,542
Apr	2.200	+0.031	2.210	2.190	1,338	12,555
May	2.190	+0.029	2.200	2.180	1,042	9,305
Jun	2.190	+0.024	2.200	2.180	577	9,156
Total					44,841	214,521

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	54.40	-1.26	55.45	53.90	2,943	13,741
Feb	54.75	-1.13	55.75	54.10	2,059	32,495
Mar	55.05	-1.20	56.15	54.50	234	12,273
Apr	57.90	-0.83	58.10	57.50	135	13,197
May	57.50	-0.20	58.05	57.00	84	10,041
Jun	57.20	-0.68	57.60	57.20	57	5,046
Total					5,871	104,397

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	80.50	-0.70	80.40	80.40	4	248
Mar	83.25	-0.50	83.50	83.25	33	3,000
May	85.25	-0.50	85.50	85.20	77	3,797
Jul	87.25	-0.50	87.50	87.50	3	478
Sep	80.00	-0.55	-	-	-	38
Total					132	8,578

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Mar	333.75	-4.00	340.50	333.50	1,818	55,511
May	341.50	-4.00	347.50	340.00	249	12,431
Jul	348.00	-2.50	353.00	347.00	179	20,203
Sep	353.50	-5.00	358.50	353.50	124	727
Dec	365.00	-3.00	368.50	364.00	45	2,838
Jul	385.00	-	-	-	2	46
Total					2,246	91,757

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Mar	267.25	-2.00	270.75	266.75	7,598	169,857
May	274.75	-1.75	278.00	274.50	1,054	49,013
Jul	280.50	-1.50	283.50	280.25	1,000	59,373
Sep	280.75	-	281.75	280.50	128	8,784
Dec	284.50	+0.50	285.25	284.00	826	33,749
Mar	290.50	+0.75	290.50	289.50	34	1,169
Total					10,661	320,662

■ BARLEY LIFFE (100 tonnes; £ per tonne)

Jan	74.10	-0.40	-	-	-	183
Mar	77.10	-0.40	77.00	77.00	20	1,455
May	78.10	-0.40	-	-	-	20
Sep	77.10	-0.65	-	-	-	8
Total					20	1,768

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Jan	680.75	-8.50	693.00	680.50	4,152	27,613
Mar	683.00	-7.00	694.50	682.00	5,333	48,078
May	688.50	-8.25	699.50	688.00	1,263	28,297
Jul	693.50	-8.25	703.00	693.00	1,284	28,001
Aug	691.75	-5.25	700.50	691.50	46	4,225
Sep	675.50	-5.00	678.00	675.50	15	243
Total					12,774	143,137

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Jan	25.09	+0.09	25.30	24.88	1,968	14,787
Mar	25.55	+0.11	25.85	25.28	3,890	48,812
May	25.84	+0.16	26.05	25.55	1,784	18,473
Jul	25.93	+0.12	26.05	25.73	314	12,078
Aug	25.85	+0.15	26.00	25.65	24	3,788
Sep	25.60	+0.10	25.80	25.50	4	1,273
Total					8,066	99,385

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Jan	206.2	-4.0	211.5	206.1	2,292	19,662
Mar	203.4	-3.8	209.5	203.3	1,967	37,605
May	202.7	-2.9	206.7	202.5	897	23,496
Jul	204.5	-2.4	208.0	204.0	289	15,968
Aug	205.0	-2.0	206.0	204.5	52	4,943
Sep	204.8	-2.0	206.0	204.8	44	3,681
Total					5,726	169,765

■ POTATOES LIFFE (20 tonnes; £ per tonne)

Mar	92.0	-	-	-	-	-
Apr	116.0	+1.0	118.0	115.0	45	1,086
May	126.0	+1.0	-	-	-	62
Jun	136.0	+1.0	-	-	-	-
Nov	56.0	-	-	-	-	3
Total					46	1,195

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

Jan	1160	+5	1160	1150	10	603
Feb	1175	+13	-	-	-	186
Mar	1193	+13	-	-	-	-
Apr	1258	+13	-	-	-	444
Jul	1133	+13	-	-	-	123
Total					10	1,501

	Close	Prev
BFI	1229	1236

PULP AND PAPER

■ PULPEX OMLX (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	477.50	-	477.50	477.50	1	351
Jun	438.75	+0.25	498.75	498.75	2	275
Total					3	626

FUTURES DATA
All futures data supplied by CMS.

Tea from The Tea Brokers' Association
Landed: No sale. **Offshore:** Strong demand at fully firm to dearer rates particularly for bright and colouring liquoring teas. *The highest price realised this week was 162p for a Kenya PF.1.*

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1032	-16	1032	1032	1	194
Mar	1057	-16	1060	1053	979	65,834
May	1081	-15	1083	1078	178	25,239
Jul	1100	-16	1103	1098	91	12,011
Sep	1120	-15	1121	1119	179	21,828
Dec	1142	-17	-	-	-	24,848
Total					1,619	180,709

■ COCOA CSCE (10 tonnes; $/tonnes)

Mar	1625	-25	1648	1624	1,107	41,814
May	1656	-24	1680	1656	77	20,897
Jul	1683	-24	1698	1693	1	5,526
Sep	1706	-24	-	-	14	6,222
Dec	1736	-23	1742	1740	48	9,103
Mar	1760	-18	-	-	85	8,553
Total					1,247	95,300

■ COCOA (ICCO) (SDR's/tonne)

Dec 24	Price	Prev. day
Daily	1288.11	1283.54

■ COFFEE LIFFE (5 tonnes; $/tonne)

Jan	1697	-1	1705	1680	1,341	8,520
Mar	1685	-2	1698	1652	1,168	25,900
May	1672	-5	1675	1650	101	7,851
Jul	1665	-4	-	-	-	1,528
Sep	1665	-4	-	-	-	647
Nov	1670	-4	1670	1670	2	30
Total					2,612	42,274

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Mar	163.25	+3.45	166.25	159.00	1,511	16,164
May	158.15	+2.55	160.75	155.10	250	5,502
Jul	151.85	+1.85	154.50	149.50	100	2,760
Sep	145.50	+1.50	148.00	144.00	52	1,348
Dec	140.50	+1.25	143.00	140.50	39	1,209
Mar	138.00	+1.00	140.00	140.00	-	292
Total					1,962	27,303

■ COFFEE (ICO) (US cents/pound)

Dec 23		Prev. day
Comp. daily	125.15	122.22
15 day average	130.66	131.05

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

Mar	310.3	+2.3	310.6	308.2	1,176	21,767
May	314.0	+2.0	314.0	312.3	379	6,709
Aug	315.0	+1.2	315.0	314.9	105	4,942
Oct	310.0	+1.2	310.0	309.5	30	4,463
Dec	309.9	+0.9	310.0	309.0	50	153
Total					1,740	38,312

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	12.38	+0.07	12.40	12.32	4,444	97,327
May	12.11	+0.05	12.15	12.09	606	33,025
Jul	11.70	+0.06	11.72	11.67	357	30,464
Oct	11.61	+0.06	11.62	11.59	250	26,537
Mar	11.49	+0.07	11.49	11.43	100	7,495
May	11.44	+0.07	-	-	50	1,171
Total					5,757	197,336

■ COTTON NYCE (50,000lbs; cents/lbs)

Mar	67.02	-0.55	68.25	67.00	1,570	41,717
May	68.31	-0.52	69.50	68.30	407	14,883
Jul	69.75	-0.35	70.70	69.75	271	14,787
Oct	71.65	-0.35	72.40	71.65	4	1,349
Dec	72.63	-0.04	73.10	72.60	74	13,267
Mar	73.73	-0.04	-	-	46	456
Total					2,372	86,887

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Jan	85.85	+0.85	87.20	85.50	1,847	7,529
Mar	89.40	+1.15	91.10	89.30	974	24,806
May	92.70	+1.15	93.90	92.50	277	5,830
Jul	95.90	+1.15	96.50	95.75	425	3,877
Sep	99.25	+1.25	99.25	98.25	251	1,653
Nov	101.75	+1.40	101.75	101.75	-	1,553
Total					3,775	45,920

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Dec 29	Dec 24	month ago	year ago
1748.9	1753.2	1795.5	1865.7

■ CRB Futures (Base: 1967 = 100)

Dec 26	Dec 23	month ago	year ago
232.93	231.95	-	-

■ GSCI Spot (Base: 1970 = 100)

Dec 26	Dec 23	month ago	year ago
n/a	177.92	192.71	225.36

LME WAREHOUSE STOCKS (tonnes)

Aluminium	+1,100	to	627,150
Aluminium alloy	-40	to	42,440
Copper	+2,100	to	333,625
Lead	-300	to	111,775
Nickel	+102	to	66,204
Zinc	+200	to	483,100
Tin	+200	to	12,790

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	66.550	-0.400	67.350	66.450	4,194	50,351
Apr	68.875	-0.400	69.500	68.850	1,084	27,069
Jun	68.475	-0.075	68.725	68.275	631	15,499
Aug	68.950	-0.450	69.400	68.900	179	6,426
Oct	71.900	-0.200	72.125	71.825	34	1,829
Dec	72.750	-0.250	72.750	72.750	4	338
Total					6,129	101,637

■ LEAN HOGS CME (40,000lbs; cents/lbs)

Feb	58.250	-0.950	58.950	58.125	722	20,828
Apr	57.175	-0.275	57.425	56.800	850	8,154
Jun	64.550	-0.425	64.900	64.475	640	5,757
Jul	63.700	-0.475	64.150	63.600	114	1,596
Aug	61.300	-0.350	61.600	61.300	46	311
Oct	57.300	-0.400	57.600	57.250	45	627
Total					2,446	37,462

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	53.750	-1.525	55.000	53.350	240	5,788
Mar	53.225	-1.425	54.600	53.175	34	1,315
May	53.800	-1.550	54.600	53.450	15	1,056
Jul	53.850	-1.150	54.100	53.250	1	815
Aug	50.300	-0.450	51.600	50.300	8	100
Total					292	8,987

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Feb	May	Feb	May
1500	43	83	25	44
1525	31	69	37	55
1550	21	58	52	68
■ COPPER (Grade A) LME	**Feb**	**May**	**Feb**	**May**
1700	53	99	37	58
1750	31	74	63	82
1800	16	54	98	111
■ COFFEE LIFFE	**Jan**	**Mar**	**Jan**	**Mar**
1650	20	102	12	67
1700	3	77	45	92
1750	-	60	92	125
■ COCOA LIFFE	**Mar**	**May**	**Mar**	**May**
1025	53	64	21	28
1050	39	69	32	38
1075	28	55	46	49
■ BRENT CRUDE IPE	**Feb**	**Mar**	**Feb**	**Mar**
1650	-	-	13	23
1700	-	-	35	-
1750	-	-	55	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$15.62-5.62	-0.32
Brent Blend (dated)	$16.41-6.43	-0.55
Brent Blend (Feb)	$16.91-6.93	-0.60
W.T.I.	$17.82-7.84	-0.54

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$179-181	-1
Gas Oil	$154-156	-5
Heavy Fuel Oil	$77-79	
Naphtha	$163-164	-1.5
Jet fuel	$175-177	-5
Diesel	$162-163	-5

■ NATURAL GAS (Pence/therm)

Bacton (Jan)	16.20-16.30

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

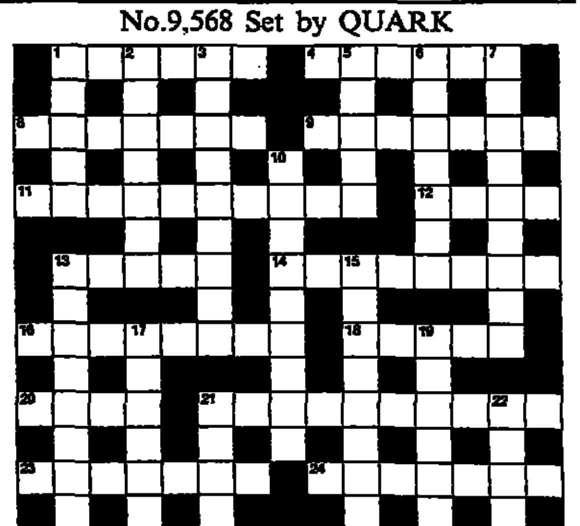
Gold (per troy oz)♣	$291.85	-4.15
Silver (per troy oz)♣	624.00c	+6.00
Platinum (per troy oz.)	$363.50	+4.50
Palladium (per troy oz.)	$198.00	+7.00
Copper	84.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	20.50r	+0.23
Tin (New York)	253.5	
Cattle (live weight)	91.87p	+1.07*
Sheep (live weight)	87.11p	+6.40*
Pigs (live weight)†	n/a	
Lon. day sugar (raw)	$298.50	+3.10
Lon. day sugar (wte)	$303.50	+1.80
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Dec)♥	54.50p	
Rubber (Jan)♥	54.50p	
Rubber (KL RSS No1)	277.0z	+2.0
Coconut Oil (Phil)§	575.0y	+20.0
Palm Oil (Malay.)§	565.0	+7.5
Copra (Phil)§	$387.5y	
Soyabeans (US)	183.5	
Cotton Outlook'A' index	73.45c	
Wooltops (64s Super)	388p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jan/Feb. w Jan. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 586 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,568 Set by QUARK



ACROSS

1, 4 It certainly takes one back (6,6)
8 University department's power to act (7)
9 Partner not in favour of class (7)
11 Information on time left jangled sense calm (10)
12 Especially good underdone? (4)
13 Guide the ox (5)
14 Perfect sale – but nothing's shifted! (8)
16 Puffed out and haven't settled the account (8)
18 Leaders of impassioned Moslems at mosque services? (5)
20 The early course one doesn't want to be in (4)
21 Cultivated quince with a shiny leaf plant (10)
23 Old quaint, unusual, English (7)
24 Rubbish the period closely following dress (7)
25, 26 Capital way in which to spend money? (6,6)

DOWN

1 Novelist's study, they say (5)
2 Member of funding body to depend on, errors excepted (7)
3 Unpleasant argument in a London park (6,3)
5 Society supporting press clubs (5)
6 Bird damaged trees in outskirts of Kendal (7)
7 Acid classifies salts (9)
10 Adding men at work requiring skill (9)
13 Craftsman? (9)
15 Cut time at university to fill inclination for a bracer (9)
17 Stage race for a flier (7)
19 A fairy story is benign (7)
21 Can move with agitation (5)
22 One knight to dress up in metallic item? (5)

Solution to Saturday's prize puzzle on Saturday January 10.
Solution to yesterday's prize puzzle on Monday January 12.

Big cement surplus seen for SE Asia

JOTTER PAD

CROSSWORD

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Fidelity Currency Funds Ltd						
Pembroke Hall, Pembroke, Bermuda						
AS Accum			AS20.157		+0.004	3.80
C$ Accum			C$19.180		—	3.00
DM Accum			DM38.237		+0.005	2.60
ECU Accum			Ecu13.976		+0.003	3.20
FFr Accum			FFr93.747		+0.008	2.30
HK$ Accum			HK$129.29		+0.04	5.40
Lira Accum			L25524		+7	5.70
NZ$ Accum			NZ$43.059			7.00
£ Accum			£13.972		+0.004	6.50
SFr Accum			SFr29.507		—	0.15
US$ Accum			$24.776		+0.007	4.76
Yen Accum			Y2690.8		—	0.10

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (FSA RECOGNISED)

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd

PO Box 246, St Peter Port, Guernsey 01481 723021

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (FSA RECOGNISED)

[illegible]

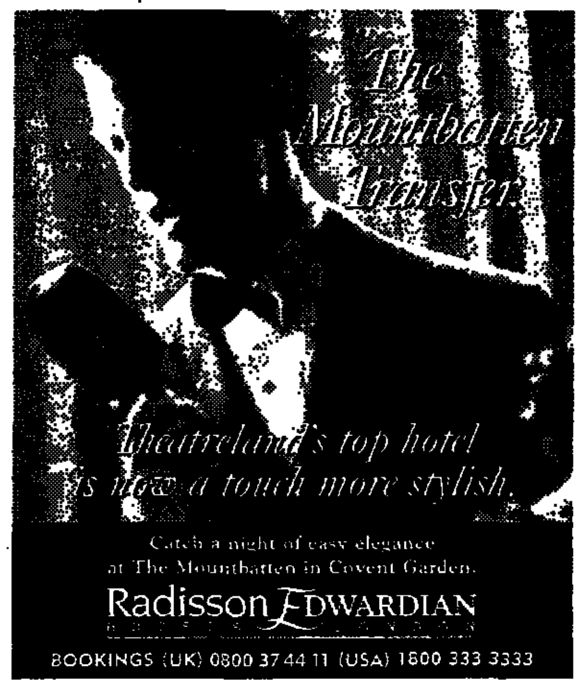
Scottish Value Management (Ireland) Ltd (u)

UK Growth	22.87	3.10	—	—	—
European Growth	23.62	3.79	—	—	—
Rocker Value		£1.4916		(0)	—
Relative Value II		£1.0045		—	—

Dragon Korea Fund Plc

NAV	$1.195	—	—

Dresdner Kleinwort Benson Int Mgt Srv



Singer & Friedlander Inv Funds Ltd (u)

Eagle Star European Life Assurance Co Ltd

Edgehill Select Group

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (FSA RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (FSA RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (FSA RECOGNISED)

[illegible]

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

BAII Asset Management Ltd

10 Piccadilly, London W1V 0EE 0171 734 3700

Bank Von Ernst & Cie AG

Frontrunner I (u)

GT Global

HSBC Investment Funds Luxembourg SA (u)

Jefferies

Morgan Stanley Sicav - Contd.

ACM Offshore Funds - Contd.

Credit Suisse Asset Mgmt Funds - Contd.

Merrill Lynch Asset Management - Contd.

TCW Luxembourg Funds

Target International Ltd

Templeton Emerging Asia

Templeton Russian & East European Debt Fd

Friends Provident International

General International Limited

[illegible]

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

[illegible]

OFFSHORE INSURANCES

Aberdeen International Ltd

[illegible]

Isle of Man Assurance Ltd

Lazarus International Group

Midland Life International Ltd

Old Mutual Guernsey

Old Mutual Hong Kong

Old Mutual International (Guernsey) Ltd

Old Mutual International (Isle of Man) Ltd

Equitable Life International

Prudential-Bache Intl

Premier Life

[illegible]

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Professional Investment Consultants

	Selling Price	Buying Price	+ or -	Yield Gross
Premier Lux $	$1.17	1.23	—	-
Premier Lux £	[illegible]	[illegible]	—	-
PCI Worldwide Depo	$1.330	1.430	—	-
SPILA Flexible Growth	$1.008	1.064	(z)	-

Royal Life International

Royal Court, Athol Rd, Castletown IoM 01624 821212

[illegible]

Royal Skandia Life Assurance Ltd (z)

Skandia Hse, Finch Rd, Douglas, IoM 01624 611611

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Allied Domecq	[illegible]	[illegible]	+14	584	407½	550	4.7	13.4
Bulmer (HP)	[illegible]	[illegible]	—	[illegible]	[illegible]	-	4.5	11.9
Burn St Dist	[illegible]	41½	—	75½	40½	15	10.2	14.5
Diageo	[illegible]	[illegible]	+4	[illegible]	[illegible]	3,095	3.7	17.2
Glenmorangie A	†	[illegible]	—	1040	840	-	2.0	20.6
B	†	[illegible]	—	1140	925	-	0.9	44.7
Highland	[illegible]	[illegible]	+1½	380	280	26	3.8	13.5
5¼pc Cnv Bds	[illegible]	[illegible]	—	[illegible]	[illegible]	-	8.4	-
Kirin Y	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.3	-
Matthew Clark	[illegible]	[illegible]	+2	[illegible]	157	73	16.3	5.3
Merrydown	[illegible]	91½	—	[illegible]	49½	3	7.5	-
Seagram C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.5	-

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

هكذا من الاصل

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
Anglo Am Ind R		£23¼	—	*£27⅞	£21⅝	-	2.9	⊕
Barlow	⊕	643½	—	[illegible]	643½	-	3.1	⊕
Gold Flds Prop R		110½	-½	187	110½	-	7.2	9.2
SA Brews	†	£14½xd	+⅜	£23½	£13⅞	-	2.5	-
Standard Bank		£26¼	+⅜	£30	£22⅜	-	2.1	-
Tiger Oats		811xd	—	1100	790	-	2.3	⊕
Tongaat-Hulett		735¼xd	-2¼	780	719½	-	2.4	⊕

TRADED INDEX SECURITIES

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
FTSE 100 TRAKS		£5208xd	—	£52100	£472	-	-	-

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 index constituents and reserves marked † in the Trading Volume table on the LSE page, last trade prices at or prior to 4:30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR "Headline Earnings" formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ⊕ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997
K Yield based on prospectus or other official estimates for 1998
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
N Dividend is paid in whole or part as a FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

♣ FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT8633. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports may also be ordered via the internet at http://www.icbinc.com. Reports will be sent the next working day, subject to availability.

FT Company Focus / Focus Plus

Comprehensive 10-18 page report available on this company, containing key news stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements.
Company Focus (FT news) £8.45.
Focus Plus (FT and Investors Chronicle news) £10.95.
To order, call 0121 200 4878.
Reports published by ShareFinder.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.
Calls are charged at 50p per minute at all times.
An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial pricing information obtained via FT Cityline before making any investment decision.
All access to and use of FT Cityline is subject to FT Cityline terms and conditions - your copy will be sent free on request.
Call 0171 873 4378 for more information on FT Cityline.

The share prices printed on these pages are also available on the internet at http://www.FT.com.

LONDON STOCK EXCHANGE

Footsie regains 5,100 as Asian worries recede

MARKET REPORT

By Stephen Thompson, UK Stock Market Editor

London's equity market confounded the bears yesterday as share prices bounded ahead across the board in the first trading day since Christmas, reversing the weak trend that had seen the FTSE 100 fall to a three-week low on Christmas Eve.

Although it took some time before the market got into its stride, a background of firm performances by *far eastern markets*, plus a good Wall Street on Friday night gave UK stocks a solid platform to build on.

The market's better feeling was accentuated by a powerful opening performance by Wall Street, *where the Dow Jones Industrial* Average jumped over 100 points shortly after US markets opened yesterday.

Dealers pointed out, however, that much of the strength in UK stocks was deceptive, and noted the extremely low levels of genuine trading activity.

"The cash market was being driven by a squeeze in the FTSE future which, allied to the usual takeover stories and end-year *press tips, fuelled the rises,*" said the head dealer at one of the European securities houses.

Turnover of 512.5m shares was much higher than many had expected at the start of a trading week that will be disrupted by *the new year celebrations.*

The volume was boosted substantially by massive turnover of 236m shares in BG B shares, which were bought in at 30p a share by the company as part of its £1.3bn buy-back and restructuring programme. Hopes of many more share buy-backs, such as the BG move, have been helping to underpin stock prices.

At the close of the session the FTSE 100 index showed a 98.5 gain at 5,112.4, its best *one-day* performance since the start of the month when London stocks were alive with speculation of a spate of takeover bids in the banking sector.

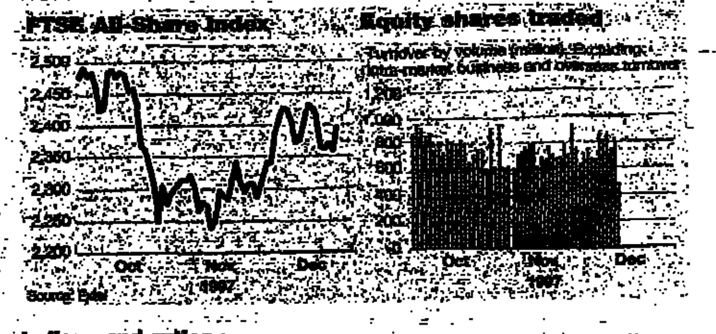
The depth of the market's *strong performance* was demonstrated by the good showing by the second liners, where the FTSE 250 index jumped 34.1 to 4,732.2 and the FTSE SmallCap 6.8 to 2,296.8.

Wall Street's 19-point rise on Friday, which tended to dampen the recent fears that some of the big US banks might have taken heavy losses during the recent turbulence in foreign exchange and global stock markets, was well *received and provided* a bedrock for far eastern markets.

Market bulls said the merger and acquisitions story would soon spill over into the FTSE 250 stocks and eventually into the *FTSE 100 constituents,* and so provide further upside impetus to the market.

The biggest winners in the market yesterday were the financials, which gave a ready response to a series of press recommendations for the new year.

The first of the Christmas period trading updates from the high street retailers, from Goldsmiths the jewellers, was upbeat and gave much needed support to a retail sector that suffered badly in the run up to the festive season.



Indices and ratios

FTSE 100	5112.4	+98.5	FT 30	3278.0	+52.8
FTSE 250	4732.2	+34.1	FTSE Non-Fins p/e	19.07	19.63
FTSE 350	2455.3	+41.8	FTSE 100 Fut Mar	5152.0	+122.0
FTSE All-Share	2396.74	+38.67	10 yr Gilt yield	6.28	6.27
FTSE All-Share yield	3.25	3.30	Long gilt/equity yld ratio	1.94	1.90

Best performing sectors

1 Retailers: Food .... +2.9
2 Extractive Inds .... +2.6
3 Food Producers .... +2.6
4 Retailers: General .... +2.5
5 Household Goods .... +2.5

Worst performing sectors

1 Textiles & Apparel .... +0.0
2 Oil Exploration & Prod .... +0.2
3 Telecommunications .... +0.3
4 Health Care .... +0.4
5 Property .... +0.5

Retail stocks revive

The only substantial corporate news of the day came from Goldsmiths, a jeweller, which published a positive trading statement and helped boost the retail sector as a whole.

The shares gained 12½ to 275p, after the company said trading was strong in its retail outlets throughout the UK in the four weeks to December 27. Sales were up 17.3 per cent in total and 7.9 per cent on a like-for-like basis compared with last year.

The news also helped fellow jeweller Signet Group which is expected to put out its trading statement on January 9. Shares in the group hardened ¾ to 28¾p.

Among retailers, sentiment was boosted by a better-than-expected trading update from The Littlewoods Organisation that was released during the second half of the session. The group reported a late improvement in Christmas trading, with sales in its UK retail divisions in the three weeks to December 27 increasing by 15 per cent compared with the same period in 1996.

Cumulative sales growth in the retail divisions in the first nine weeks of the second half of the year to April 30 1998 totalled 6 per cent. Although Littlewoods said the growth has been underpinned by strong sales in the home shopping business, the figures still gave a boost to other leading retailers. Great Universal Stores jumped 18 to 743p, while Kingfisher hardened 7 to 839p. JJB Sports firmed 2½ to 651p, with Argos up 21½ at 556½p. Marks and Spencer improved 29 to 610p and Boots added 18 to 878p.

Gas giant BG was a feature after it went into the market for its second major repurchase of B shares in recent weeks.

The company bought 236m B shares at 30p a share. Yesterday's move, together with the buy-back of B shares under an original repurchase offer, represented around 92.2 per cent of the B shares issued under the group's capital reorganisation programme, which took effect on November 3.

All the B shares bought under the second repurchase offer are to be cancelled, leaving 346m B shares in issue.

BG ordinary shares ended the day 4½ up at 281p, after trade of 1.9m.

Several stocks gained from being tipped in the weekend press as shares to buy in the coming year. They included drinks group Allied Domecq, 14 ahead at 524p, Rio Tinto, which appreciated 23½ to 728½p, United Biscuits, up 10½ at 220½, and EMI Group, which gained 16 to 494p.

Other tipped stocks were Northern Leisure, 7 ahead at 400½p, and Meggitt, 7 harder at 156p.

Few had expected the City's rumour mill to be working in what is generally a quiet period between Christmas and the new year.

But there was no getting away from the market's favourite bid rumours yesterday. Bid speculation was once again heard in Norwich Union, leaving the shares 10 ahead at 390p, while the same talk also settled on Guardian Royal Exchange. The shares gained 17 to 332p.

Bank shares were very much in vogue as the market's takeover speculators moved back in force to chase their favourites to attract merger/takeover activity this year.

Abbey National, regarded by many dealers as the stock most likely to attract the attention of a predator and also the stock most likely to react positively to any predatory moves elsewhere in the sector, jumped 39 more to close at £11.09, albeit in rather low volume.

Bank of Scotland, another prime takeover target according to some analysts, moved up 20 to 570p, and NatWest added 15 at £10.10.

Royal Bank of Scotland, a long-time bid favourite, fell out of favour, finishing 4 easier at 740p.

News that Britain had been voted the best provider of telecoms services in Europe by 450 business leaders, *according to a study* commissioned by British Telecommunications, failed to lift the poor sentiment in the UK giant. Moving against the market trend, the shares fell 1¼ to 474½p in modest volume of 3.4m.

However, Cable & Wire*less was wanted and ended* the session 10¼ ahead at 539p.

Engineering manufacturer and distributor Independent Parts Group rose sharply after it said it was in talks in connection with possible offers for the company. The *shares jumped 20¼ or nearly* 18 per cent to 134½p.

The company said indications were that if any offer resulted it may be around 140p a share mark.

FTSE GOLD MINES INDEX

	Dec 29	% chg on day	Dec 24	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index(33)	1078.71	-0.1	1080.13	1836.80	2.57	-	1907.40	903.02
■ Regional indices								
Africa (15)	1165.17	+0.0	1164.82	2103.82	6.02	20.69	2333.56	921.78
Australasia (6)	1147.00	+0.1	1146.40	2190.46	3.17	14.93	2217.60	933.63
North America (12)	1053.73	-0.2	1056.04	1716.91	1.22	39.19	1780.66	894.94

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition. Market open 26/12/97, USA.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	5085.0	5152.0	+122.0	5165.0	5080.0	2910	57237
Jun	-	5211.0	+122.0	-	-	0	25

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	4793.0	4793.0	+30.0	4793.0	4793.0	6	6394

■ FTSE 100 INDEX OPTION (LIFFE) (*5107) £10 per full index point

	4950 C	4950 P	5000 C	5000 P	5050 C	5050 P	5100 C	5100 P	5150 C	5150 P	5200 C	5200 P	5250 C	5250 P	5300 C	5300 P
Jan	235½	60	197½	73	161	88½	130	109½	99½	132	77	163	58	195½	39½	235
Feb	353	131½	316½	146½	284½	165	251½	186	219½	206	187	230½	163	260	140	289
Mar	379	178½	347	198	315½	219	285½	238	255	258½	225½	281½	203½	310	181½	339
Apr	417	208½	385	227½	352½	247	320½	267	288½	287½	258½	310½	235½	338½	213	367
Jun†			484½	285½			424	325			361	367			311½	421½

Calls 378 Puts 132

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4925 C	4925 P	4975 C	4975 P	5025 C	5025 P	5075 C	5075 P	5125 C	5125 P	5175 C	5175 P	5225 C	5225 P	5275 C	5275 P
Jan	258	53½	211	64½	175	78	143	95	113½	116½	88	141	65½	168	48	200
Feb	[illegible]															255½
Mar	[illegible]															307½
Jun	[illegible]															
Sep†	[illegible]															

Calls 1,296 Puts 1,881 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

FT 30 INDEX

	Dec 29	Dec 24	Dec 23	Dec 22	Dec 19	Yr ago	*High	*Low
FT 30	3278.0	3225.2	3241.8	3225.5	3228.7	2811.4	3430.3	2666.8
Ord. div. yield	3.43	3.49	3.46	3.48	3.49	4.10	4.22	3.29
P/E ratio net	21.15	20.79	20.94	20.78	20.76	17.37	22.33	15.80
P/E ratio nil	20.86	20.51	20.65	20.50	20.48	17.20	22.02	15.71

FT 30 since compilation: high 3430.3 16/10/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9	10	11	12	13	14	15	16	High	Low
3225.2	3225.5	3235.4	3241.4	3256.0	3258.6	3267.4	3270.9	3275.2	3278.5	3222.8

	Dec 29	Dec 24	Dec 23	Dec 22	Dec 19	Yr ago
SEAQ bargains	29,869	14,643	38,996	42,983	54,634	29,400
Equity turnover (£m)†	-	NA	NA	2302.2	NA	548.3
Equity bargains†	-	NA	NA	36,842	NA	17,639
Shares traded (mil)†	-	NA	NA	678.00	NA	201.1

†Excluding intra-market and overseas turnover but including Crest turnover.
 *For 1997.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	1,030	Total Highs	87	Total contracts	6,385
Total Falls	397	Total Lows	53	Calls	3,441
Same	1,615			Puts	2,944

Dec 29 *Data based on Equity shares listed on the London Share Service.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	-	95	93½	Abbey Nat Dublin II	93½		-	-	-	-
§250	F.P.	71.8	271	262	Autologic	271	+3½	R7.5	2.0	3.5	18.5
§140	F.P.	29.7	167½	148½	†BCO Techs	165½		-	-	-	-
-	F.P.	13.0	21½	16½	Boustead	19½		-	-	-	-
§200	F.P.	218.8	204½	184½	Bovis Homes	194	+½	R9.4	2.4	6.1	8.6
§-	F.P.	2.35	73	53	Comland Comm	59		-	-	-	15.1
290	F.P.	398.2	273½	258	Energis	258	-2½	-	-	-	-
-	F.P.	-	£182	£168	Fleming Grd Units	£180	+1	-	-	-	-
§25	F.P.	1.42	35½	29½	†General Inds	35½		-	-	-	-
§105	F.P.	22.6	133½	123½	†Gooch & Housego	133½		L1.47	3.9	1.4	20.8
§	F.P.	20.2	270	270	Manchester & Lon Inv	270		1.33	3.9	0.6	52.6
§110	F.P.	124.1	124½	105½	Marchpole	106½	-3½	R3.65	2.1	4.3	14.1
§	F.P.	8.17	57½	54½	†Market Link Publ	55		-	-	-	11.7
-	F.P.	23.7	149½	115½	Nthn Recruitment	145½	+8	L1.73	4.1	1.5	18.3
§128	F.P.	12.6	144½	137½	†Optoplast	144½	+2	H3.07	3.4	2.7	11.3
§6	F.P.	8.54	7½	7	†Property Asset	7		-	-	-	-
-	F.P.	8.12	6¾	6	†Range Cooker Co	6½		-	-	-	12.2
-	F.P.	21.2	98½	92½	†Rapid Technology	94½		-	-	-	-
§102	F.P.	23.2	102½	102½	†Razorback Vhcls	102½		-	-	-	-
§105	F.P.	35.5	114½	110½	SCS Upholstery	111½		L2.7	2.0	3.0	21.0
§-	F.P.	243.0	114½	108½	Saatchi & Saatch	108½		Hi1.2	3.0	1.4	29.6
§	F.P.	164.8	104	96½	Second Scot Natl	103¼		-	-	-	12.0
§230	F.P.	51.0	239½	230	Sytner	232½		R8.9	3.0	3.7	10.9
§160	F.P.	44.4	176½	160	Tetra	176½		L0.8	6.9	0.5	28.5
*	F.P.	-	50	40½	Vanguard Md Wls	45½	+7½	-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Dec 29	Day's chge%	Dec 24	Dec 23	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5112.4	+2.0	5013.9	5049.8	4115.7	3.17	2.62	2.07	19.07	145.44	2207.20
FTSE 250	4732.2	+0.7	4698.1	4706.3	4484.8	3.54	2.92	1.84	19.20	149.77	2000.75
FTSE 250 ex IT	4768.4	+0.7	4736.3	4744.2	4534.1	3.65	3.02	1.89	18.17	155.65	2028.12
FTSE 350	2455.3	+1.7	2413.5	2428.3	2042.2	3.24	2.88	2.02	19.09	71.37	2165.05
FTSE 350 ex IT	2459.4	+1.7	2417.4	2432.3	-	3.26	2.70	2.03	18.89	39.41	1112.80
FTSE 350 Higher Yield	[illegible]										
FTSE 350 Lower Yield	[illegible]										
FTSE SmallCap	[illegible]										
FTSE SmallCap ex IT	[illegible]										
FTSE All-Share	2396.74	+1.6	[illegible]								
FTSE All-Share ex IT	[illegible]										

■ FTSE Actuaries Industry Sectors

	Dec 29	Day's chge%	Dec 24	Dec 23	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(22)	[illegible]										
12 Extractive Industries(5)	[illegible]										
15 Oil, Integrated(3)	[illegible]										
16 Oil Exploration & Prod(12)	[illegible]										
20 GEN INDUSTRIALS(259)	[illegible]										
21 Building & Construction(38)	[illegible]										
22 Building Matls & Merchs(29)	[illegible]										
23 Chemicals(26)	[illegible]										
24 Diversified Industrials(13)	[illegible]										
25 Electronic & Elect Equip(33)	[illegible]										
26 Engineering(64)	[illegible]										
27 Engineering, Vehicles(13)	[illegible]										
28 Paper, Pckg & Printing(27)	[illegible]										
29 Textiles & Apparel(16)	[illegible]										
30 CONSUMER GOODS(94)	[illegible]										
32 Alcoholic Beverages(8)	[illegible]										
33 Food Producers(23)	[illegible]										
34 Household Goods(12)	[illegible]										
36 Health Care(14)	[illegible]										
37 Pharmaceuticals(15)	[illegible]										
38 Tobacco(2)	[illegible]										
40 SERVICES(273)	[illegible]										
41 Distributors(29)	[illegible]										
42 Leisure & Hotels(31)	[illegible]										
43 Media(43)	[illegible]										
44 Retailers, Food(15)	[illegible]										
45 Retailers, General(53)	[illegible]										
47 Breweries, Pubs & Rest.(22)	[illegible]										
48 Support Services(59)	[illegible]										
49 Transport(22)	[illegible]										
60 UTILITIES(32)	[illegible]										
62 Electricity(9)	[illegible]										
64 Gas Distribution(2)	[illegible]										
66 Telecommunications(9)	[illegible]										
68 Water(12)	[illegible]										
69 NON-FINANCIALS(658)	[illegible]										
70 FINANCIALS(104)	[illegible]										
71 Banks, Retail(12)	[illegible]										
73 Insurance(17)	[illegible]										
74 Life Assurance(6)	[illegible]										
75 Merchant Banks(5)	[illegible]										
77 Other Financial(25)	[illegible]										
79 Property(42)	[illegible]										
80 INVESTMENT TRUSTS(128)	[illegible]										
89 FTSE All-Share(892)	[illegible]										
105 FTSE All-Share ex IT(766)	[illegible]										
FTSE Fledgling	[illegible]										
FTSE Fledgling ex IT	[illegible]										
FTSE AIM	[illegible]										

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	[illegible]										
FTSE 250	[illegible]										
FTSE 350	[illegible]										
FTSE SmallCap	[illegible]										
FTSE All-Share	[illegible]										

Further information is available on http://www.ftse.com. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	174	505	+14
AMVESCAP	285	503	+21
ASDA Group†	1,500	177½	-½
Abbey National†	780	1109	+39
Airtours	83	1210	+10
Alliance & Leicester†	383	809	+11
Allied Domecq†	550	524	+14
[illegible]			

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates a FTSE 100 index constituent. All trades are rounded. Source: Extel, part of FT information.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

PACIFIC

AFRICA

NORTH AMERICA

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY DECEMBER 26 1997								THURSDAY DECEMBER 25 1997					DOLLAR INDEX		
	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (74)	196.70	0.1	174.63	161.86	181.25	199.28	0.0	3.81	196.60	174.56	161.43	181.15	199.28	243.87	190.41	218.05
Austria (23)	186.89	-0.1	165.74	153.62	172.03	172.05	0.0	1.93	186.85	165.91	153.43	172.17	172.05	213.59	175.14	185.54
Belgium (26)	251.69	0.0	223.44	207.10	231.92	227.23	0.0	3.03	251.69	223.39	206.59	231.83	227.23	262.35	224.11	224.11
Brazil (30)	227.81	2.6	202.24	187.45	209.91	467.46	2.6	1.90	222.06	197.17	182.34	204.62	455.55	322.44	184.94	188.12
Canada (122)	206.50	0.0	183.32	169.92	190.28	214.82	0.0	1.84	208.50	183.35	169.56	190.28	214.82	233.68	178.27	188.30
Denmark (32)	442.37	0.0	392.72	364.00	407.62	406.33	0.0	1.26	442.35	392.77	363.22	407.60	406.38	442.37	341.80	341.80
Finland (26)	274.45	0.0	243.65	225.83	252.89	309.30	0.0	2.03	274.44	243.68	225.34	252.88	309.30	349.43	239.65	239.65
France (83)	233.30	-0.0	207.12	191.97	214.97	217.07	0.0	2.45	233.31	207.16	191.57	214.98	217.12	246.23	209.30	210.78
Germany (58)	226.89	0.0	201.42	186.69	209.06	209.06	0.0	1.41	226.89	201.48	186.30	209.08	209.06	243.87	184.23	185.77
Hong Kong, China (66)	342.47	0.0	304.03	281.80	315.57	340.71	0.0	4.69	342.38	304.01	281.13	315.46	340.64	580.03	314.78	504.46
Indonesia (27)	67.21	8.5	59.66	55.30	61.93	218.51	0.0	3.08	61.95	55.00	50.86	57.08	218.51	254.90	52.01	225.41
Ireland (16)	388.13	0.0	344.57	319.37	357.64	378.62	0.0	2.61	388.30	344.78	318.84	357.80	378.62	409.57	314.65	314.65
Italy (53)	115.40	0.1	102.45	94.96	106.34	149.83	0.0	1.63	115.27	102.35	94.65	106.22	149.83	115.40	82.05	82.05
Japan (481)	92.46	0.5	82.08	76.08	85.19	76.08	0.7	1.04	92.04	81.72	75.57	84.81	75.57	141.12	91.17	129.38
Malaysia (107)	158.63	0.6	140.82	130.53	146.17	234.92	1.1	3.10	157.74	140.06	129.52	145.35	232.39	660.85	157.13	587.88
Mexico (26)	1721.35	1.9	1528.16	1416.41	1586.13	15328.20	1.7	1.59	1689.50	1500.14	1387.27	1556.79	15075.13	1901.98	1205.06	1205.06
Netherlands (19)	400.15	0.0	355.24	329.26	368.71	364.77	0.0	2.30	400.05	355.21	328.48	368.62	364.77	440.87	325.54	325.54
New Zealand (14)	73.29	-0.1	65.06	60.30	67.53	66.70	0.0	4.63	73.39	65.16	60.26	67.63	66.70	96.47	73.21	91.08
Norway (38)	311.81	-0.3	276.82	256.57	287.32	308.52	0.0	1.98	312.67	277.62	256.74	288.11	308.52	374.64	284.18	284.18
Philippines (22)	78.39	0.0	69.59	64.50	72.23	156.07	0.0	1.35	78.39	69.61	64.37	72.23	156.07	214.07	74.85	204.08
Singapore (42)	226.04	-0.9	200.67	186.00	208.29	174.11	-0.6	1.84	227.99	202.44	187.21	210.08	175.20	448.01	215.21	411.33
South Africa (43)	263.08	-0.1	233.56	216.48	242.41	279.43	0.0	3.06	263.24	233.74	216.15	242.56	279.43	370.12	251.92	313.59
Spain (33)	268.03	-0.3	237.95	220.55	246.98	304.97	-0.3	2.26	268.82	238.69	220.73	247.70	305.95	277.33	208.12	216.83
Sweden (49)	456.47	0.1	405.24	375.61	420.61	524.36	0.0	1.98	456.11	404.98	374.51	420.26	524.38	598.94	405.00	410.51
Switzerland (31)	334.24	-0.1	296.73	275.03	307.98	297.19	0.0	1.13	334.59	297.09	274.74	308.31	297.19	337.11	231.89	234.00
Thailand (39)	18.54	-3.1	16.46	15.25	17.08	34.03	-3.0	8.45	19.14	16.99	15.71	17.63	35.09	103.98	18.54	98.83
United Kingdom (213)	329.01	0.0	292.09	270.73	303.17	292.09	0.0	3.37	328.96	292.09	270.11	303.12	292.09	337.98	271.72	274.98
USA (640)	382.42	0.4	339.50	314.68	352.38	382.42	0.4	1.62	380.87	338.18	312.73	350.95	380.87	401.22	299.79	307.34
Americas (818)	347.50	0.4	308.50	285.94	320.20	293.37	0.4	1.63	346.03	307.24	284.13	318.84	292.13	365.75	274.42	280.70
Europe (702)	284.73	0.0	252.77	234.29	262.36	265.75	0.0	2.42	284.75	252.83	233.81	262.38	265.79	298.25	233.84	233.84
Nordic (147)	402.95	0.0	357.73	331.57	371.30	404.41	0.0	1.86	402.87	357.71	330.80	371.22	404.41	464.93	352.82	352.82
Pacific Basin (672)	102.80	0.4	91.26	84.59	94.73	85.52	0.5	1.73	102.41	90.93	84.08	94.36	85.08	158.99	101.48	148.46
Euro-Pacific (1574)	178.67	0.1	158.62	147.02	164.64	153.28	0.2	2.19	178.45	158.45	146.53	164.43	153.03	209.12	173.55	183.96
North America (762)	371.24	0.4	329.57	305.47	342.08	371.15	0.4	1.63	369.90	328.35	303.65	340.75	369.71	389.57	292.34	300.11
Europe Ex. UK (489)	254.73	0.0	226.14	209.61	234.72	244.84	0.0	1.86	254.78	226.22	209.20	234.77	244.90	267.07	207.11	207.11
Pacific Ex. Japan (391)	194.89	0.1	173.01	160.36	179.58	195.60	0.0	4.00	194.62	172.80	159.80	179.33	195.53	320.65	182.39	311.11
World Ex. US (1795)	182.45	0.2	161.98	150.13	168.12	159.89	0.2	2.17	182.15	161.74	149.57	167.85	159.57	212.89	176.94	186.13
World Ex. UK (2222)	239.10	0.3	212.27	196.74	220.32	217.33	0.3	1.71	238.34	211.62	195.70	219.61	216.59	262.69	211.16	219.82
World Ex. Japan (1954)	323.84	0.3	287.50	266.48	298.41	316.67	0.3	2.00	322.99	286.79	265.21	297.62	315.66	344.35	270.77	273.76
The World Index (2435)	246.71	0.3	219.02	203.00	227.33	224.09	0.3	1.89	246.00	218.43	201.99	226.68	223.41	268.47	218.61	224.35

Emerging markets: IFC Investable indices

4 pm close December 29

NEW YORK STOCK EXCHANGE PRICES

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Exsel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial. d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. ¶ Dealings suspended.

♣ FT Free Annual Reports Service

You can obtain the current annual reports and if available quarterly reports of any companies on the US exchanges with a ♣ symbol. To order reports ring (International Access) 1-804-320-8097 or give the names of the companies whose reports you want and fax your request to (International Access) 1-804-320-8135. Reports will be sent the next working day, subject to availability. You can also order online at http:// www.icbinc.com/cgi-bin/ft.

هكذا من الاصل

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Dec 26	Dec 24	Dec 23	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7679.31	7660.13	7691.77	8259.31 (6/8)	6391.69 (11/4)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	104.99	104.85	104.99	105.12 (16/12)	101.09 (14/4)	105.12 (16/12/97)	54.99 (1/10/81)
Transport	3101.69	3101.87	3124.36	3359.27 (15/10)	2222.07 (2/1)	3359.27 (15/10/97)	13.23 (8/7/32)
Utilities	267.60	267.71	268.43	268.43 (23/12)	209.47 (25/4)	268.43 (23/12/97)	16.53 (8/7/32)

DJ Ind. Day's high 7743.34 (7767.75) Low 7634.72 (7624.26) (Theoretical†)
Day's high 7717.93 (7740.35) Low 7659.14 (7660.13) (Actual†)

Standard and Poors	Dec 26	Dec 24	Dec 23	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	936.46	932.70	939.12	983.79 (5/12)	737.01 (2/1)	983.79 (5/12/97)	4.40 (1/6/32)
Industrials¶	1082.63	1078.44	1084.36	1146.82 (7/10)	865.42 (11/4)	1146.82 (12/12/97)	3.52 (30/6/32)
Financial¶	114.06	113.42	115.04	120.83 (8/12)	80.75 (2/1)	120.83 (8/12/97)	7.13 (4/9/74)
Others							
NYSE Comp.	493.60	492.32	494.85	514.31 (5/12)	389.47 (11/4)	514.31 (5/12/97)	4.84 (25/4/42)
Amex Comp	683.77	682.60	680.53	721.50 (7/10)	541.20 (28/4)	721.50 (7/10/97)	524.20 (16/7/96)
NASDAQ Cmp	1511.38	1499.53	1508.91	1745.85 (9/10)	1201.00 (2/4)	1745.85 (9/10/97)	54.87 (3/10/74)
Russell 2000	421.49	421.04	422.03	465.21 (13/10)	335.85 (25/4)	465.21 (13/10/97)	123.36 (7/12/93)

■ RATIOS

	Dec 26	Dec 19	Dec 12	Year ago
Dow Jones Ind. Div. Yield	1.79	1.76	1.74	2.02
	Dec 24	Dec 17	Dec 10	Year ago
S & P Ind. Div. yield	1.55	1.49	1.48	1.84
S & P Ind. P/E ratio	25.05	25.90	26.09	23.30

US DATA

■ MARKET ACTIVITY

● Volume (million)

	Dec 26	Dec 24	Dec 23
NYSE	154.900	265.980	518.881
Amex	8.841	14.516	28.374
NASDAQ	208.147	316.603	620.545

NYSE	Dec 26	Dec 24	Dec 23
Issues Traded	3,201	3,271	3,449
Rises	1,444	1,228	1,371
Falls	1,209	1,425	1,540
Unchanged	548	618	538
New Highs	60	114	193
New Lows	64	60	107

■ NYSE TRADING ACTIVITY — Volume : 154,900,000

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Dow Chem	7,146,600	99	+1
Asarco	2,932,500	22¼	-⅛
Compaq	1,758,500	53¼	-⅜
EMC Corp	1,314,700	24⅜	+⅛
Frt Bill Rass	1,181,000	19⅞	-⅞
Unicom	1,147,200	30	+⅛
Callaway Glf	1,043,000	28¾	+2¾
AT&T	935,700	63¼	+⅞
GEC	917,300	70⅞	-¼
Pepsico	880,200	34⅞	+¼

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Callaway Glf	28¾	+2¾	+10.5
Bco Santander	30½	+1½	+5.2
Mall-Well	37⅞	+1¾	+4.8
EVI	47¾	+1½	+4.1
Downs			
Walden Nat	11½	-1¼	-9.8
Franklin Cvy	20⅞	-1⅛	-5.9
Times Mirror	24⅜	-1⅛	-4.4
FST Comwlth	32⅝	-1⅛	-3.9

■ NASDAQ TRADING ACTIVITY — Volume :208,147,000

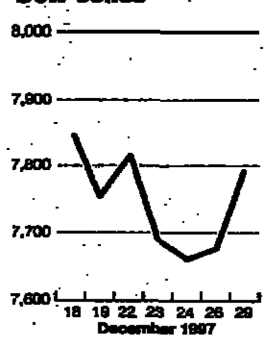
■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Microsoft	4,048,600	120.¼	+1⅞
Oracle	3,762,400	21⅛	+⅛
Intel	3,703,900	70⅝	+⅛
Cisco	3,482,500	53¼	+1⅛
Dell Comp	3,108,500	78⅝	+⅞
Three Com	1,942,300	33¼	+⅛
Appld Matl	1,894,400	29¼	+½
Worldcom	1,826,300	30¼	+⅛
Informix	1,787,300	4⅝	-⅛
Novell	1,534,000	7⅛	+⅛

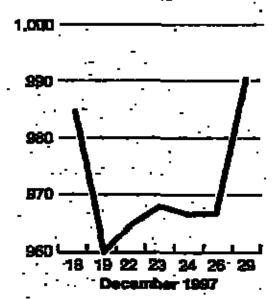
■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Nanophase	14⅛	+4¾	+50.7
Unt Fd Svgs	21	+4	+23.5
Heartscan	11⅞	+2⅛	+23.4
Prpnca Phm	12⅛	+2⅛	+20.5
Downs			
Dal El	7⅛	-2	-20.5
BGS Sys	29¼	-3¾	-11
Parkervision	15⅛	-1⅜	-8.7
Alld Capital	21¼	-2⅛	-8.9

Dow Jones



FTSE Eurotop 300



JAPAN

	Dec 29	Dec 26	Dec 25	1997 High	1997 Low	Since compilation High	Since compilation Low
Nikkei 225	14775.22	14902.60	15300.10	20681.07	14775.22	38915.9	85.25

■ TOKYO TRADING ACTIVITY — Volume : 314,000,000

■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Tomen Corp	19,187,000	81	+11
Yamaichi Sec	15,734,000	1	
Tokio M & F	5,075,000	1520	+40
Sakura Bank	4,812,000	399	+1
LTCB	4,438,000	200	+8
Np Steel Cp	3,670,000	189	+5
Daikyo Inc	3,637,000	95	-15
Fuji Bank	3,583,000	500	+5
Kobe Steel	3,484,000	101	
Np Cred Bk	3,436,000	113	+1

■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Taiheiyo K	77	+12	+18.5
Toyo Eng	93	+13	+16.3
Tomen Corp	81	+11	+15.7
Asanto Spl St	100	+13	+14.9
Downs			
Nippn Lace	35	-30	-46.2
Tokyo Corp	230	-80	-25.8
Komatsu NdK	650	-180	-21.7
Sainu Cp	55	-14	-20.3

FRANCE

	Dec 29	Dec 26	Dec 24	1997 High	1997 Low	Since compilation High	Since compilation Low
CAC 40	2939.46	2871.27	2874.08	3094.01	2256.97	3094.81	984.61

■ PARIS TRADING ACTIVITY — Volume : 355,840,930

■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Rhn-Poc A	1,726,533	262.5	+7.5
Fr Telecom	995,158	215.2	+5.8
Alcatel Al	733,082	750	+18
AGF	652,204	318	+1.4
Axa-UAP	544,140	465.2	+4.2
Pernod-Ric	499,532	351	+4.6
Usinor	471,780	84.5	+2.55
Paribas	448,295	512	+11
B.N.P.	411,589	318	+11.6
Total B	405,501	639	+17

■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Locindus	75.2	+7.7	+11.4
Forisler	878	+80	+10
Faiveley	180	+15	+9.1
Michelin A	244	+19	+8.4
Downs			
Egd Empain	63.05	-46.95	-42.7
Eaux Mnl Vch	2775	-420	-13.1
Wanles	44.3	-4.7	-9.6
Babcal Sicomi	84	-8	-8.7

GERMANY

	Dec 29	Dec 26	Dec 24	1997 High	1997 Low	Since compilation High	Since compilation Low
DAX	4197.37	(c)	(c)	4438.93	2848.77	4438.93	931.18

■ FRANKFURT TRADING ACTIVITY — Volume : 7,516,598

■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Commzbank	983,304	72.3	-1.6
Siemens	587,674	107.6	+5.45
Dt Telekom	527,330	32.7	+0.8
Bayer	406,482	64.8	+1.6
BASF	393,683	64.4	+3.3
Deutsche Bk	387,785	125	+2.05
Hoechst	323,782	61.1	+1.4
Dresdner Bk	234,300	81.1	-1.9
RWE	191,710	95.3	+4.3
Veba	190,718	121.7	+1.75

■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Praktiker Bau	23.2	+2.2	+10.5
Escada	235	+19	+8.8
Herlitz Intl	162	+11	+7.3
Kali U Salz	151.5	+10.25	+7.3
Jungan NV Pf	290	+19	+7
Downs			
Strabag NV Pf	120	-10	-7.7
Bremer Woll	153.5	-6.5	-4.1
Aktien NV Pf	430	-18	-4

UK

	Dec 29	Dec 26	Dec 24	1997 High	1997 Low	Since compilation High	Since compilation Low
FTSE 100	5112.4	(c)	5013.9	5330.80	4056.60	5330.8	986.9

■ LONDON TRADING ACTIVITY — Volume : 512,500,000

■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Br Steel	13,171,110	128½	+½
Shell T&T	5,373,313	434½	+10½
Centrica	4,931,090	91½	+2½
Vodafone	4,284,040	439	-1
BTR	4,178,226	183½	+3½
BP	3,579,981	805	+7½
BT	3,453,412	474½	-1½
SmKl Bchm	3,242,842	617	+6
Diageo	3,082,269	582	+4
Unilever	2,850,183	510	+25½

■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Reliac	16½	+7	+73.7
Environed	8½	+2½	+41.7
Abacus Recr	327½	+67½	+26.0
Medisys	26½	+5	+23.3
Downs			
Flare Grp	46½	-3½	-7.0
Select Appt	585	-33	-5.5
Elec Retail	245	-12½	-4.8
Hs of Fraser	196	-6½	-3.2

INDEX FUTURES

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	948.00	958.80	+13.00	959.50	941.50	16,689	353,313
Jun	962.00	968.80	+11.50	969.30	962.00	82	8,380
■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	14810.0	14760.0	+0.010	14850.0	14400.0	17,712	165,218
Jun	14700.0	14610.0	-0.160	14700.0	14520.0	24	30,649

Open interest figures for previous day.

■ CAC-40 (200 x Index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	2899.0	2948.0	+76.0	2951.0	2892.0	29,589	22,894
Jan	2906.0	2954.5	+76.0	2956.0	2898.0	18,251	29,498
■ DAX							
Mar	4178.0	4310.0	+140.0	4310.0	4165.0	9,387	64,493
Jun	4230.0	4338.0	+131.0	4327.0	4228.0	713	8,036

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jan	2294.00	2381.00	+111.00	2381.00	2290.00	3,864	20,486
Feb	2346.75	2376.00	+47.00	2376.00	2346.75	65	405
■ SOFFEX							
Jan	6075.0	6191.0	+140.0	6191.9	6075.0	2,773	19,511
Mar	-	6207.0	+140.0	-	-	-	-

WORLD MARKETS AT A GLANCE

Country	Index	Dec 29	Dec 26	Dec 24	1997 High	1997 Low	Yield	P/E
Argentina	General	22264.71	21848.77	(c)	25771.70 22/10	18237.37 2/1	3.37	18.4
Hungary	Bux	7735.85	(c)	(c)	8483.80 6/8	4281.30 6/1	na	na
Poland	WIG	14053.6	(c)	(c)	16338.40 18/2	13619.80 22/12	1.82	10.3

NASDAQ NATIONAL MARKET

4 pm close December 29

AMEX PRICES

4 pm close December 29

EASDAQ

Dow ahead as Asian tensions ease

AMERICAS

US stocks soared as international bankers met in New York to discuss loans to South Korea, and the Dow Jones Industrial Average gained more than 100 points by midday, *writes John Labate in New York.*

Blue-chip shares, and many financial stocks, made strong gains in morning trading as investors demonstrated their relief about South Korea's prospects.

By early afternoon the Dow had risen 110.61, or 1.4 per cent, to 7,789.92. The broader Standard & Poor's 500 index advanced 14.98, or 1.6 per cent, to 951.44. Trailing the broader market were gains from the technology sector, as the Nasdaq composite index rose 18.96 or 1.3 per cent at 1,530.34.

"The perception is that Asia won't throw the US into a recession, but that it may take a few tenths of a per cent off real GDP growth," said James Weiss, deputy chief investment officer of equities at State Street Research in Boston. He added that the rest of the week could be volatile in the stock market due to thin liquidity and further developments in Asia.

Leading the Dow higher yesterday was Allied Signal, which gained more than 5 per cent or $1 15/16 to $37¾. Sears Roebuck rose $1¼ to $43⅛.

Banking stocks were especially strong as the bank index of the Philadelphia Stock Exchange climbed 13.80 or 1.9 per cent to 744.36. BankAmerica surged $2⅝ to $73 11/16 and Citicorp rose $2⅝ at $124½.

In the tech sector, Microsoft gained in morning trading, up $4⅛ to $124⅞. Online broker Ameritrade surged more than 9 per cent to $26 15/16.

Bond prices fell, with the benchmark 30-year Treasury bond dipping 1/16 to 102 15/16, sending the yield higher at 5.923 per cent.

Smaller stocks continued to underperform blue chips. The Russell 2000 index of small cap stocks was up 3.87 or 0.92 per cent to 425.36.

TORONTO traded higher at midsession with the TSE-300 composite index up 53.6 at 6,593.1.

Thomson gained C$1.35 to C$39 on bullish analysts' comments.

Modest gains in Mexico

MEXICO CITY posted modest gains in the morning session, tracking Wall Street's advance, although dealers reported very sluggish holiday season trading. By midday, the IPC index was 47.7 higher at 5,061.71. Market heavyweight Telmex was 30 centavos better at 22.40 pesos.

SAO PAULO gained nearly 2.5 per cent as investors squared portfolios ahead of the year end, helped also by gains in Europe and the US. The Bovespa index rose 236 to 10,031 by early afternoon.

Banks lead S Africa higher

Johannesburg closed modestly firmer in a subdued session. The banking sector was stronger, aided by a firmer bond market. First National Bank rose R1.50 to R43.

Diamond giant De Beers slipped R2 to R96.80 while gold stocks ran into profit-taking. The overall index rose 39.3 to 6,130.3, industrials advanced 34.9 to 7,317.9 and golds added 3.7 at 843.8.

The re-emerging markets of Latin America

Structural reforms have paved the way for resurgent economic growth, reports Stephen Fidler

Latin America's economies have had their best year for at least two decades. Five of the seven leading Latin American economies grew at more than 6 per cent in 1997, and the weighted average inflation rate among the seven leading economies was about 8 per cent – the lowest in 50 years.

Could Latin America be on the way back? Some market commentators think so. "It's not so long ago that Latin America was outpacing Asia in the growth stakes – the 1970s to be exact," said economists at Dresdner Kleinwort Benson. "Then came the Lost Decade of the 1980s.

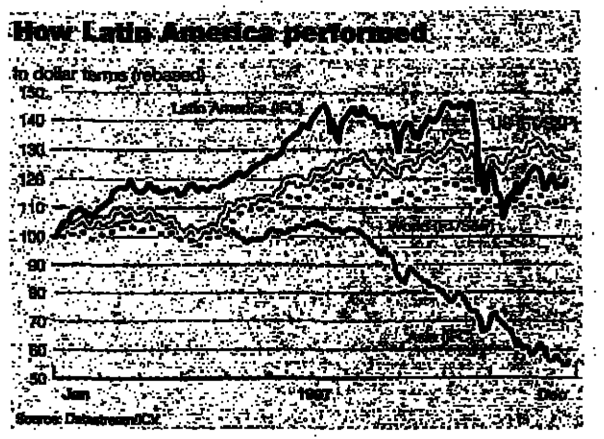
"However, the structural reforms of recent years are placing the Latin American economies in a good position to throw down the gauntlet once more."

Yet 1997 is hardly ending on a euphoric note for investors in Latin America, in spite of the fact that the region's stock markets almost caught up with their counterparts in "emerging" Asia this year.

Unfortunately, this is mostly because Asia's markets have been going backwards. By the end of November, east Asian markets accounted for just 2.7 per cent of the Morgan Stanley Capital International World Index, down from 5.0 per cent a year earlier. Latin America's share shrank too, but only from 2.8 per cent to 2.5 per cent.

The countries of east Asia – China, India, Indonesia, Korea, Malaysia, Pakistan, the Philippines, Sri Lanka, Taiwan and Thailand – accounted for capitalisation of $354bn (£215bn) within the MSCI index. Taiwan – the only big market to escape the turmoil – made up 42 per cent of the total. Latin America, on the other hand, accounts for $330bn, with Brazil accounting for 38 per cent and Mexico 31 per cent.

Latin America's stock markets moved into the holiday season having preserved, on average, 18 per cent of the gains made in dollar terms over the year. That looks reasonable compared with the disastrous Asian performance. But the gains are still lower than



Wall Street's, which provided returns of more than 25 per cent.

Given the extra risk – emphasised by the 10-day spell in late October in which more than 20 per cent was wiped off the value of Latin American shares – investors may well be asking whether it is worth persevering with the emerging market story. Indeed, emerging markets have underperformed the US for four years in a row now.

So although emerging market equity analysts are almost unanimous in arguing that Latin America offers good value, the question is, as analysts at Merrill Lynch in New York put it: "Cheap, but does it matter?"

It would not matter, in the first place, if the wheels looked like they were going to fall off the global economic bus.

Default in one of the Asian markets would raise this possibility in the minds of investors, who would take off on a flight to qualityand leave Latin American stock markets sinking in their wake.

Neither would it matter if Brazil, the most vulnerable of the Latin American economies, slides into a currency crisis of its own that would cloud the outlook for the entire region.

However, most analysts say the chances of a self standing Brazil crisis have receded since the strong fiscal and monetary package the government announced in response to the October market turmoil – and they will fall further if Congress backs this up with additional measures to cut the fiscal deficit. Of course, Brazil would be at risk in the event of any big fall in capital flows caused by a global shock.

Geoffrey Dennis, head of global emerging market strategy at HSBC James Capel, believes the 1998 outlook for Latin America is good in part because a Brazilian crisis is not likely. And although Asia's troubles have knocked Latin America's likely growth next year down to about 3.3 per cent, from over 5 per cent this year, this should still allow for earnings growth of 15 per cent, he says.

That would mean prospective price-to-earnings ratios are at about a 20 per cent discount to their 1991-97 average. Moreover, only in Brazil are short-term interest rates high enough to make cash an attractive alternative.

Finally, he says, the short-term debt position of most Latin American economies is strong. The weakest is Brazil, which he estimates to have $48bn-49bn of short-term debt, compared with reserves of about $51bn. "You have a much more robust short-term and total debt situation in Latin America than in the past," he says.

However, while he views a good performance as likely for 1998, the hangover from the Asian crisis and the possibility of a US interest rate rise lead him to suggest the markets will continue to be difficult for at least the first quarter. That would mean no January rally this year for the Latin markets.

Thin trade exaggerates bourses' sharp rallies

EUROPE

Year-end tidying of investor portfolios, a firm dollar and early strength on Wall Street prompted sharp advances in leading European bourses. Better news on the South Korean economy also helped the markets, and Switzerland, Italy and Denmark closed at record highs. However, relatively thin trading activity tended to exaggerate the rallies.

Another takeover battle in **PARIS** ended with the combatants agreeing to kiss and make up as supermarket group Promodès withdrew its bid for rival Casino in exchange for an agreement on deeper co-operation between the two.

Promodès leapt FFr105 to FFr2,519 after the announcement, which echoed the recent agreement between insurers Generali and Allianz to end their hostilities over AGF.

Shares in Casino and 46 per cent shareholder Rallye were suspended pending further announcements.

Elsewhere, the market advanced in thin volume. Retailer Pinault-Printemps-Redoute gained FFr108 to FFr3,200 on talk of good sales figures for the Christmas period. The CAC 40 index ended 69.19 better at 2,939.46.

FTSE Actuaries Share Indices — European series

December 29

National & Regional Markets	Ecu index	Day's %	change points	Yield gross %	xd adj	Total retn (Ecu)
FTSE Eurotop 300	990.18	+2.40	+23.81	2.26	0.26	997.89
FTSE Eurotop 100	2285.80	+2.42	+54.01	–	–	–
FTSE Eurotop 300 Regions						
300 UK	1000.72	+2.36	+23.62	3.19	0.73	1017.32
300 Ex-UK	984.72	+2.43	+23.93	1.73	0.00	987.13
300 Eurobloc	969.23	+2.39	+23.12	1.94	0.00	972.75
300 Ex-Eurobloc	1007.52	+2.42	+24.36	2.48	0.45	1017.99
FTSE Eurotop 300 Economic Groups						
Resources	938.53	+2.39	+22.4	2.93	0.00	951.59
General Industries	915.82	+2.84	+25.99	2.14	0.00	918.12
Consumer Goods	984.21	+2.13	+20.99	1.86	0.00	994.83
Services	985.87	+2.76	+27.21	2.29	0.00	993.35
Utilities	1037.19	+1.93	+20.0	2.69	2.76	1048.91
Financials	1056.92	+2.34	+24.68	2.18	0.00	1062.76

Base value 1000. More information on http://www.ftse.com. 'FTSE' and 'Footsie' are registered trade marks of the London Stock Exchange and The Financial Times. 'Eurobloc' is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop indices are compiled by FTSE International. © FTSE International Limited 1997. All rights reserved. Market closed 29/12/97: Ireland.

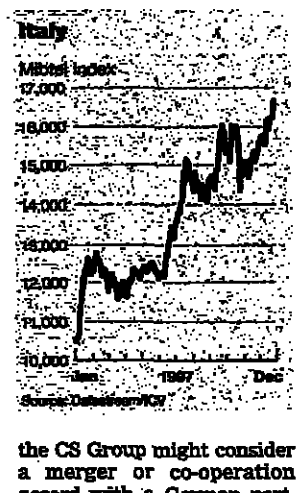
FRANKFURT closed 3.1 per cent higher. The market made a slow start but picked up after midsession. The Xetra Dax index was 127.05 higher at 4,266.02.

Motor stocks were in focus after Daimler-Benz said that second-half operating profits were above the DM1.85bn earned in the first six months. Daimler rose DM2.30 to DM124.10, Volkswagen rose DM41 to DM1,015 and BMW was DM65 higher at DM1,305.

ZURICH's 2.4 per cent rise was in part attributed to window-dressing but the SMI index still picked up 143.7 or 2.4 per cent to 6,190.4.

The advance was broadly based. ABB was SFr63 higher at SFr1,815. Sulzer rose SFr14 to SFr924, and Alusuisse picked up SFr31 to SFr1,386.

In financials, CS Group added SFr5.25 to SFr225.75 on recurring rumours that the CS Group might consider a merger or co-operation accord with a German partner.



MILAN closed at an all-time high, helped by steadier Asian markets and rises elsewhere in Europe. The Mibtel index rose 440 or almost 3 per cent to 16,678.

State-controlled holding company HDP ended L62.20 better at L1,003 on rumours that the group would soon complete the acquisition of fashion house Valentino.

COPENHAGEN was also testing new highs, with the KFX index finishing the day at 210.4 for an advance of 5.67. Dealers attributed the move to foreign buy orders, which pushed prices higher in a thin market.

AMSTERDAM climbed 3.2 per cent but in thin volumes with many investors away for seasonal holidays. The AEX index added 27.86 at 908.22.

A Fl 4.30 surge in KPN to Fl 83 was attributed to the forthcoming split of the company into separate post and telecommunications arms.

Written and edited by Michael Morgan, Jonathan Ford and James Montgomery.

Tokyo drops to 30-month low

ASIA PACIFIC

Continuing concerns about the economy and fears of further bankruptcies during the holiday season left **TOKYO** at its lowest level since early July 1995, *writes Paul Abrahams in Tokyo.*

The Nikkei 225 average finished 27.38 down at 14,775.22. At one stage the market fell as low as 14,488.

The market was shaken by an announcement from Nippon Lace, a Kyoto-based lace maker, that it had failed to honour some of its promissory notes. The shares fell Y30, the maximum allowed, to just Y30. It proved difficult to fix a price for the stock as there were no buyers.

Turnover was dull, with 314m shares traded. The momentum was down: 630 shares on the first section fell, 472 were up and 169 unchanged. However, the Topix index of all first-section shares added 4.25 to 1,117.87 and the Nikkei 300 rose 1.39 to 231.23.

In Osaka, the OSE index fell 62 points to 14,650.

HONG KONG was spurred sharply higher by early gains in the property sector. Analysts forecast the momentum could be maintained over the next two sessions.

The Hang Seng index climbed 160.55 or 1.6 per cent to 10,502.99. Turnover remained thin at HK$3.3bn.

New World Development gave a lead to the property sector with a rise of HK$1.05 or 4.2 per cent to HK$26.10.

Against the trend, Asia Satellite dived to another low for the year on the first trading day since last week's unsuccessful launch of its third satellite. The shares tumbled HK$3.20 or 19.2 per cent to HK$13.45.

KUALA LUMPUR moved 1.4 per cent higher as local institutions, preparing to close their books ahead of the new year, bought select blue chips. The composite index added 7.70 at 568.66.

Power utility Tenaga was the day's most active stock, rising 20 cents to 7.60 as the chairman and chief executive, Tajudin Ali, said the company would defer around M$3bn worth of upgrades to its transmission and distribution network.

JAKARTA suspended trade in Bakrie Sumatra Plantation as the shares fell Rp800 or 57 per cent to Rp1,400 on news of a ban on palm oil exports in the first quarter of 1998. The broader market edged higher and the composite index put on 1.48 at 398.01.

MANILA nudged ahead as foreign investors dipped into selected blue chips. The composite index advanced 21.98 to 1,869.23.

Buying was concentrated on the property sector, where Ayala Land was a particular beneficiary, rising 75 centavos to 16 pesos. The property sub-index gained 4.7 per cent on bargain-hunting.

SINGAPORE lost ground as interest rates rose from 6.5 per cent to 7 per cent, pushing banking and property stocks lower and adding to negative sentiment about the economy.

The property sub-index fell 1.5 per cent to 391.51, led by City Developments, which lost 20 cents to S$7.55. Foreign tranches of local bank stocks also fell, with OCBC foreign shares declining 10 cents to S$9.45. Overall, the Straits Times index ended 34.58 lower at 1,517.94.

WELLINGTON gained 1.4 per cent as Telecom shares continued their rebound from last week's 12 per cent drop. The NZ top 40 capital index ended 31.00 higher at 2,258.97.

Telecom shares rose 30 cents to NZ$8.05, and have now clawed back 40 cents from their low of NZ$7.70, hit last Tuesday after major shareholders Ameritech and Bell Atlantic announced that they were looking to sell their holdings.

BOMBAY jumped 2 per cent on hectic speculative buying in a thin market. The BSE-30 index rose 73.41 at 3,706.79.